

CANADA'S WEEKLY NEWSMAGAZINE

AUGUST 1, 1994 \$3.50

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faces his
biggest test**

**His battle
with media
baron Rupert
Murdoch**





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CANADA'S WEEKLY NEWS MAGAZINE
AUGUST 1, 1994 VOL. 107 NO. 31

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Paper tiger

32 Canadian media baron Conrad Black is locked in a fierce newspaper price war with rival Rupert Murdoch in the London market. And even though Black insists that he is easily able to meet the challenge, he has encountered a tough—and well-financed—match.

Showdown in Quebec

10 Both inside and outside Quebec, many Canadians worry more about emigration and blackflies than about the equally enduring dilemma of whether Quebec will stay or go. But whether they like it or not, the imminent provincial election in Quebec is about to reignite that debate. The front-running Parti Québécois has promised to hold a referendum on independence within 10 months of taking office.



The Tony rewards

46 Tony Bennett may be 67, but when it comes to wooing a whole new audience of young listeners, the stylish crooner knows all the latest moves. During his recent Toronto visit, he turned up at M&M's studio for an inquisitive performance—and he even read a newsprint.

Colombo The Discoverer

Why John Robert Colombo? It is not just because this career man has a debt of gratitude for all the folks. It is because Colombo is a 415-Year Great Canadian Questmaker (Readers: \$15.95) is an exciting trail in which to find through a summer day and encounter the rich history of the land. Most quite books, including Colombo's own *The Discovery of Canadian Questmakers* (1997), are arranged by subject and species, but this latest tome presents its 600 entries in chronological order. And the questmakers come complete with Colombo's own concise, elegant captions. The first entry, from *The Vindictia* of John in 1600 BC, evokes the cycle of day and night in the Arctic, the last is from a 1700 AD that will lead with the mission to Mars scheduled for 2025 with a message from Earth by Toronto-based science-fiction writer Judith Merril (among others). In between, there is the real hot stuff. Some examples with due gratitude to Colombo's Discoverer:

After an editorial in *The Times* of London in 1872 urged Canada to seek independence from Britain, Alfred Lord Tennyson rejected the suggestion in jest and patronizing with a little ease:

"And that true North, whither we lately bend?" Stanley Main subsequently incorporated the words in his 1908 version of *G. Canada*: "... the true North strong and free."

"One, two, three, four. Is it snowing where you are, Mr. Thompson? If so, telegraph back and let me know." So began the first radio broadcast of the human voice. The speaker was Canadian-born actor



Colombo: enthusiasm for the chase

was of quite he also since 1974, Colombo. 36, has now unearthed 38,000 entries, most of them stored on computer disks. He routinely scans newspapers, magazines and the letters of friends and contributors for new material. But he confesses one of his old habits is still the most reliable tool. "My secret weapon," he says, "is searching in yards in stone. Careless—books in the public libraries." And that quote is in the record.

Robert Louis

McGraw-Hill

CANADA'S NEEDS MAGAZINES

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LETTERS

Royal service

For Stewart MacLeod to say that the position of governor general has "been a retirement haven for former politicians over the past 80 years" (*"The Right Man: Where Gordie?"* *Guest Column*, July 18) is simply not true. Vincent Massey was a first-class diplomat in the days before the distinction between diplomats and politicians got blurred. Sir Guy Georges Visier was a distinguished soldier. John Lyster was an other distinguished diplomat. Roland Michener served in the office with panache and class.

Frederic Heston (Ottawa, Ontario)

Stewart MacLeod is not too well briefed on some of the previous occupants of Rideau Hall. To put Lord Tweedsmuir in a "diminutive grocer for friends of the Royal Family" grossly underestimates that former, eloquent and astute politician. And while he is rightly laudatory of Georges Visier, he sadly underestimates Vincent Massey and Roland Michener. These were men of great presence and debonair.

Barbara Beeth Marquardt (Niagara, P.E.I.)

Stewart MacLeod poses the point of the governor general's office. In my view, it is a deed to carry out the pomp and circumstance of hanging medals, cutting ribbons and having full-scale dinners, thereby relieving the prime minister of these time-consuming responsibilities. That, of course, explains why we have traditionally been content with men and women over a representation from the list so artfully suggested by Mr. MacLeod.

John Nothel (Kawartha, Ont.)

'The true measure'

Peter C. Newman's article on Brian Tater poses two, and as does George Fenty (*"Rebounding from \$2 billion in debt,"* *The Nation's Business*, July 18) will probably not appeal to those who equate entrepreneurship with greed or those who equate morality with one's personal life with industry. It will appeal, however, to those who value hard work and perseverance in success and dealing with adversity as the true measure of a man.

Jeanne de Brancourt, (Ottawa)



Gen. Gen. Roy Kuyalyn: carrying out the pomp and circumstance

'A fierce courage'

Your cover on breast cancer touched on a number of issues of great concern to me as Jeannette Matthey's father (*"Threatening stranger,"* July 11). I know only too well the effects of breast-cancer diagnosis. That news, after repeated assurances that "young, active, healthy girls like you do not get breast cancer," was devastating to Jeannette and her family. It was doubly so for me and my wife of 52 years who had undergone four operations for cancer in 54 years and was on her fourth set of chemotherapy treatments. Jeannette died on Oct. 6, 1993. Her stepmother and my wife, Susanne Saunders Matthey, succumbed on April 14, 1994, to liver cancer. I have, however, been only fortunate and privileged to have a daughter and a wife who, throughout their ordeal, exhibited a fierce courage and determination to live life as fully as possible and make those around them comfortable with their severity and laughter.

Roy L. Matthey (Markovitz, Ont.)

Victims of greed

In your article "Italy business" (*Canada*, July 11) you call contractors who buy smuggled goods "tax-wary" Canadians. They are, in fact, thieves. Media misquoting the prime minister's characterization of this society's tax-free class. We are leading citizens who must pay higher taxes are the victims.

Nancy O'Brien, (Ottawa)

Animated review

Great is my regret at having ruled out to *"Once The Lion King"* without writing for your delightful work (*"Beauty's last stand,"* *Friday*, July 11). My enjoyment of the film would surely have been heightened had I but known it "resonates with American anxiety about desperate young men in the ghettos." But alas, all I could grasp was yet another example of what Disney does so well—good triumphing over evil, complete with happy ending.

Carly Riley (New Island, Nfld.)

It was refreshing to see an unbiased review of a Disney movie, since it is Disney I think most reviewers wait to be critical of, not *The Lion King*.

Sandra Ashcroft (Boulder, Colo.)

Threescore and 10

Mr. [unreadable], Glenn A. Rafferty, a staff officer to Meehan's for 20 years, passed away on June 12 at the age of 88 years. He began his subscription in 1921 at the age of 18 and had been a loyal reader ever since. He read it cover to cover every week, having read his last issue just days before going into the hospital. I think this must be some kind of record and worthy of mention.

Joan Mathias (New Westminster, B.C.)

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OPENING NOTES

Run, rabbit, run

Pop quiz: The most ferocious threat to the upcoming Commonwealth Games in Victoria will come from a) the bunnies; b) environmental terrorists; c) *Khushina* acrobats; or d) rabbits. A sole chocolate egg to those who chose the last option. While hundreds of troops and security police are expected to guard any business threats to the Games, groundskeepers at the University of Victoria, site of the athletic village, have thrown up their hands in the face of a plague of rabbits. The freed cuniculi has always had at least a few bunnies among its varied wildlife, but U Vic grounds manager Gary James says that the population has tripled since last year, in part because owners have abandoned



Debutant at The Great Fair, gazing over the shadowed crowd.

A Canadian Svengali?

As a boy spending summers on his grandfather's farm outside the southern Ontario hamlet of Port Hope, Toronto writer Steve Peacock heard the legend of a local high-wire artist who had walked across Niagara Falls. Eight years ago while searching through historical archives, Peacock discovered those tales were true. After barely 30 months of practice on a rope strung up behind his father's barn, a young neophyte student named William Leonard Root changed his name to The Great Farns, hooked up a high wire across the main street of Port Hope in October, 1888—and began his spectacular career as a daredevil who became the lion of New York and Europe. From his Port Hope debut, Farns went on to walk above Niagara Falls, repeating the feat with increasing bizarre bravado—carrying a man on his back and later a washing machine, even stop-

"His life was that of lust and braggadocio and we didn't really like that. It was more Americana, he'd be more famous than Roosevelt."

Peacock hopes to exploit that lapse. He has choreographed Farns's conquest in a play that opened this month in a lampshaded 18th-century, 100 km northwest of Toronto. In *The Great Farns*, Toronto stagehand-sculptor Nicky Debusht, a former star with Quebec's Cirque du Soleil, impersonates the daredevil on a wire strung up, stringy enough, between two barns. But the play plagues over some of its legend's shadowier sides—warning those the fact that he may even have been the role model for the infamous transsexual and showman, Sissy Burdick. "He was the man with the big black beard who could make any body—especially young women—do anything," Peacock says, "including getting shot out of a cannon."

pent mid-gorge to transfer a load of tailed handkerchiefs.

In London, Farns packed theatres with his flying trapeze act and awarded the Russian Cossack ball for P. T. Barnum, headliner at Madison Square Garden. In later life, he spent time in Africa searching for diamonds—and claimed to have found the legendary lost city of the Kalahari—before returning to Port Hope to die in 1929. "We don't know about his because we're Canadian," Peacock says.



The quarry, a bunny plague

domestic rabbits on the campus. "Some of them are invasive," notes James. "Obviously they're pest stock." The resulting population explosion has done thousands of dollars' worth of damage to the university grounds. James's staff have tried to cull the rabbits into live traps or for rabbit meat. With the first of an expected 3,200 athletes and coaches due tomorrow onto the campus in mid-August, James admits he is running out of ideas. "It's just worrying where the athletes who are taking part in the shadowing events are housed," he muses, impudently. "If they're here, maybe we could get them to do some rabbit practice." If it helps, we understood the Queen loves rabbit stew.

BEST-SELLERS

FICTION

1. *The Da Vinci Code*, Dan Brown
2. *The Girl on the Train*, Rachel Watson
3. *Playing for Her Ashes*, Elizabeth Goudge
4. *The Girl on the Train*, Rachel Watson
5. *The Girl on the Train*, Rachel Watson
6. *The Girl on the Train*, Rachel Watson
7. *The Girl on the Train*, Rachel Watson
8. *The Girl on the Train*, Rachel Watson
9. *The Girl on the Train*, Rachel Watson
10. *A Way in the World*, P. J. Jackson

Photo: Jeff Smith

NONFICTION

1. *In the Kitchen with Pinks*, Zina Delia
2. *Along the Line*, Fred Plante
3. *Mythical Beasts*, Michael Sauter
4. *The Girl on the Train*, Rachel Watson
5. *The Girl on the Train*, Rachel Watson
6. *The Girl on the Train*, Rachel Watson
7. *The Girl on the Train*, Rachel Watson
8. *The Girl on the Train*, Rachel Watson
9. *The Girl on the Train*, Rachel Watson
10. *Embraced by the Light*, Jerry Gold

Compiled by Brian Patterson



The CN Tower, the Canadian tower (right), is used in peril?

A case of upping the stakes

Could a tower cory. In 1976, when Toronto's CN Tower opened to the public, there was much hoopla over it, so it, towering height of 1,815 feet, making it the world's tallest broadcasting structure. In that regard, it surpasses Moscow's Ostankino tower broadcast tower, built in 1967 which at a mere 1,772 feet is dwarfed in the shade. For now, at least, but Russian broadcasting executives have big plans to surpass Toronto as the tallest tower in the world. They want to increase the Ostankino facility's broadcasting capacity to 40 TV channels from 11, and that would mean raising its height to 1,815 feet—exactly a foot on Canadian soil. But Vladimir Chelobakov, a chief engineer at the broadcasting center, acknowledges that Toronto's record is safe for the time being—plans of national pride aside, Ostankino simply does not have the money needed for the astronomical dollar renovation.

The topic of cancer

So much for an ounce of prevention. According to the Canada Health Services, a semi-annual national survey co-produced by True Waterhouse management consultants and health policy consultant Earl Berger, the number of Canadians undergoing basic tests for cancer has been declining since 1992. By contrast, from 1990 to 1992 the number of Pap smears, examinations of the prostate gland and breast self-examinations rose steadily. All three procedures, of course, are free, but the reason for the decline in these examinations as noted in the economy, says Berger. "It's the recession—people didn't have the energy and commitment to look after their lives," he adds. Berger says that the effects of the 1990-1992 economic downturn did not manifest themselves until it was al-

most ever. And the result is comparable to the so-called Mexican lethargy of death, where people become so worried about providing such basic as food, shelter and warmth, they place less emphasis on other important needs, including visits to the doctor. Unbelievably, accordingly—and ironic.

Percentage of people surveyed who took basic cancer tests.



PASSAGES

SUDD: Hockey coach Miller Keenan, 44, who this year led the New York Rangers to its first Stanley Cup in 54 years, by the hockey club for alleged breach of contract. Keenan earlier denied that the Rangers, breached his five-year contract—worth up to \$13 million with four years remaining—by delivering a bonus payment late last year. He subsequently signed a two-year contract with the St. Louis Blues as both coach and general manager. In this case, the Rangers acknowledged the late payment, but said that did not constitute a "material breach" of Keenan's contract. They asked that Keenan be barred from working with anyone else but then NHL commissioner Gary Bettman has also entered the fray and ordered the two parties to attend a hearing this week in his New York City office.



PLAQUE: Not guilty. By G. J. Simpson, 47, to two charges of first-degree murder in the deaths of his ex-wife, Nicole Simpson, 35, and her friend Ronald Goldman, 25, in Los Angeles Superior Court. Earlier, the former football star offered a \$600,000 (\$1.5) reward to anyone who could find the "real killer or killers." When asked by Judge Cecil Mills how he planned to handle the murder charges, Simpson replied in a strong voice, "absolutely 100 per cent not guilty."

MARRIED: Convicted murderer Colin Thatcher, 35, who is serving a 25-year sentence for the 1983 slaying of his ex-wife, JoAnn Wilson, and her son, Sean, in the chapel of the maximum security Edmonds Institution, 300, a widow with four children, met Thatcher after the two became pen pals in 1989.

RECOVERING: Michael Eisner, 52, chairman of Walt Disney Co., from emergency quadruple bypass surgery, in Los Angeles. Eisner's illness comes at a difficult time for the embattled entertainment giant, which had revenues of \$11.7 billion last year, its greatest. Frank Wells, 65, died in a helicopter crash while on a skiing trip in Nevada on April 3.

ADJUDGED: Base-related charges against Paul Bernardo, 28, and Sept. 28, in a Toronto-area court. Bernardo's trial on the 28 charges will likely be postponed until the completion of his trial for murder in the brutal slayings of two schoolgirls. That trial is expected to go before a jury this fall.

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Even if you're just looking



ANOTHER VIEW



Facts can just ruin a good story

BY CHARLES GORDON

The Freedom From Information movement is gathering strength daily. The movement consists of those people who have decided that we know too much about everything except the stuff we don't want to know anything at all about.

For example, from newspapers and nightly television entertainment programs—let me mention the news programs—we know so much about the plots of our movies that the ending is never a surprise. We know from crib notes of our songs we can do change to new notes, hundreds of new devices. Thousands of symptoms, our minds are full of tips on avoiding things we would have avoided any way by using common sense.

Almost in spite of ourselves, we know about details about the singers of songs we have never heard, actors in movies we will never see. We know everything about the contracts of professional athletes. We know, it is almost too obvious to say, too much about the U. J. Simpson case, especially the opinions of many independent legal experts. And while some Americans might complain that we don't know enough about certain political decisions, about certain Communist court cases, all kinds of information, much of it new, has been flowing down the information superhighway, and people are all too glad to tell us about what they have learned in their little computers.

There is an irony in this: that the law is trying to limit our access to information at the same time that technology is increasing it—but more about that later.

The magic and power of the mass media have so far been the main targets of the Freedom From Information movement, but the information superhighway is moving into contention. The private grows on ordinary, low-winding circuits to get electronic addresses for themselves and offer this highway, which will enable them to learn even more than they ever wanted to know and spend

What fun it is to read about Kim Jong Il's 'reported' orgies and 'suspected' crimes. Soon, the dull truth will replace those tales.

more time than they ever wanted to spend learning it, while they are electronically pestered by more people than could ever pester them before.

A stunning example of this is the computer bulletin board discussion group on the Internet called *shahajadguy*. People register an e-mail address at the electronic superhighway in order to share their profound views on politics, the worship of which is a new bid that America to give vice snobbery a good name. There is evidence are all *shahajadguy*, including a range of views and facts about proper interpretation, the best methods for storage and, for all we know, the best kinds of dogs to guard one's supply.

Unless Freedom From Information restricts mightily and works honestly, there will be more and more of this stuff. Some will call it a vicious security, but think of the useful things these people could be doing, what service to society they could be rendering if not forced to live their chaotic addiction to information, not to mention culture.

A point worth making here, one that all journalists know is that too much information is not a good story. Consider, for example, the endless reports of the change of tradi-

tion in North Korea. There were classic stories, full of fascinating details, and why? Because nobody knew the boring details yet.

In a *Los Angeles Times* story carried in Canadian newspapers and printed three days after Kim Jong Il's death, we learned the following about Kim Jong Il, his second successor:

- He "is said" to watch public executions with "excited joy."
- He "is said" to assume himself by ordering his henchmen to strip naked or shove their heads
- He "is suspected of" systematic institutional beatings and kidnappings
- He "reportedly" stages frequent orgies in his palatial villa
- He is rumored about crimes
- He is a film fanatic, who has 20,000 videos
- He is an ardent fan of *Duffy* rock concerts
- He has made only one "known" public appearance in his life—"Glory to the heroic Korean People's Army"—in 1991
- "Analysis may" be it is a regime who finds it difficult to meet people's eyes
- He "is said" to be sensitive about his height and weight (he is short and chunky) and wears belts and a permed beard that hards
- He orders his house disinfected every day

All of this fascinating stuff came from one newspaper story! *Just* when did we get it? Here is a key paragraph, which follows the sex revealing the strength of his allegiance to *Duffy* rock: "Such bizarre tales have long thrived out of Pyongyang from diplomats and defectors."

What great tales they are and what it is to read them. Inevitably they will be replaced by facts, boring facts, and the facts will be spread around the planet with great speed. It is in the hands of people of our communications technology. In no time at all, the bottled *Duffy* rock will be replaced in our minds by facts with economic statistics, the tests of speeches, crop reports, astronomical data and other dullish information.

That may be why it is so important to complain about knowing too much about Kim Jong Il and not enough about Karl Marx. In the first instance, the release of more information will merely ruin a good story in the second case, the release of more information will ruin the story of Karl Marx. Those who trade in gossip, electronic and otherwise. This is above and beyond the important principle that whatever happens in the court rooms of a society that operates under the rule of law is information we need.

The major contradiction of our electronic society is that the information is society needs—such as what is happening in Communist courts of law—is hard to come by, while the information that we need to be free—such as the gossip of color addicts and terrorists in Los Angeles continues—continues to be too much information. Freedom from information is an idea whose time has come.

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SHOWDOWN

For better or for worse, the result of the coming Quebec election will have a profound effect on Canada

BY ANTHONY WILSON SMITH

When they first took centre stage in the 1970s and 1980s, the cast of characters in the ongoing rodeo drama of Quebec politics was no familiar lot to our in Canada: a separatist movement to split them apart. On the left—very much so—were the grass-roots members of the Parti Québécois (PQ) at the party's interminable weekend rallies, they smoked imported French cigarettes, dressed in determinedly proletarian leisure suits and carried with defiant indignation a sceptical tale of the well-paid English minorities in downtown Montreal whom they had once told them to "speak white." They were usually white, middle-class, urban leaders or provincial civil servants with full job security. On the right were the liberalist Liberals. They were professionals from the private sector, expensively dressed and looking not unlike middle-class Canadians in other provinces—or, at least, the well-to-do, white, contented and prosperous ones. And in the wings, other Canadians intently watched, organized actions, heckled the Québécois to stay in Canada and staged demonstrations to worry about what Quebec Wants.

Times may change, but Canada's internal war over the future remains eerily similar. As the impending Quebec election campaign will almost certainly demonstrate, age has blurred the stark distance between the two parties to the point where they look after and, on some occasions, even voted alike. But in other ways, time has not always been kind to the latest revival of Canada's most exciting act of political theatre. Even the pre-election campaign period has been far from elegant. Premier Daniel Johnson, with his party trailing badly in every recent public opinion poll, delayed an election call widely expected last week. (The week's end, senior party officials were suggesting that the election would almost certainly be called this week for Sept. 13.) In the face of this tactics, PQ leader Jacques Parizeau announced that his party would begin its two campaign stops, without waiting for a formal declaration. "Our campaign is under way," said Mr. Johnson can go on when he wants to," he said during a swing through the Charlevoix region late last week. Johnson, added a frustrated Jean Royer, a special adviser to Parizeau, could "go to hell."

At the same time, the audience for Quebec's ongoing self-entertainment has also become more lively. Both inside and outside the province, many Canadians worry more about such traditional wilderness problems as wilderness and blackflies than about the equally enduring dilemma of whether Quebec will stay or go. "Will they separate? I'm rather indifferent," was the somewhat typical response last week of



Rodney deLencastre, a 69-year-old retired accountant in the Ottawa community of Kanata. Inside the province, anglophones and francophones appear united at least on some issues. They are equally uncomfortable about the prospect of no election. "I just don't care any more because I've had enough of politics," says Catherine Simola, a 25-year-old Montreal engineer. "Basically, I'm exhausted."

But if the fight for Quebec's political soul is now more prickly than passionate, one key factor remains the same: the coming battle between the Liberals and the PQ, the size of the stakes. For the seventh time in the past quarter century, a Quebec election campaign will be a showdown between two parties with characteristically different visions of the future of the province. The result, whether the Québécois like to acknowledge it or not, will inevitably affect the entire country. A PQ win, which on the eve of the election call appeared near certain, would spell a new period of uncertainty that would not be resolved until after a provincial referendum on independence, which Parizeau has promised to hold right in 18 months after taking office. The result, treatment, students say, would be a rise in interest rates and a falling Canadian dollar, fuelled by continuing uncertainty among international investors over Canada's future.

And unlike Parizeau, the PQ plans to be far more aggressive in its dealings with Ottawa than it was in its nine previous years of rule under René Lévesque, from 1976 to 1985. Relations between the federal government and Quebec are almost guaranteed to be difficult. Parizeau has also said he plans to challenge federal control over a number of areas, such as economic operations in the Gulf of St. Lawrence. As well, his wish to begin negotiating "terms of sovereignty" with Ottawa even before a referendum is sure to elicit an angry response in the rest of the country.

For those reasons, Canadians outside Quebec who long for one national event regard the prospect of a PQ victory with the same enthusiasm as they would a hockey win. On the other hand, as upset Liberals will not only chase the question of Quebec's future from every stage, but also cast as doubt the future of the Bloc Québécois in Ottawa. A provincial Liberal win, like Lester Lauson Beaudet has said, would leave the party to "politically rethink" its role in Ottawa. In the meantime, it would also mean that the federal Liberals under Prime Minister Jean Chrétien would move more swiftly on such issues as deficit reduction and the reform of social programs. Some senior Liberals concede privately that a key reason that progress in both areas has been stalled is unwillingness to accept Quebec voters have a possible referendum.

Similarly, as federal and provincial Liberals insist on the refusal of a federalist government in Quebec would increase the chance of achieving some deals like last week's modest but encouraging an agreement to reduce trade barriers. The agreement's major conditions include the creation of a dispute-resolution mechanism to settle trade arguments, an end to provinces offering competing subsidies to lure businesses away from each other, and an end to some restrictions on companies seeking business in other provinces. At the same time, the deal was widely notable for areas where it failed to achieve any progress, with farmers still not against the sale

L'an prochain
men pays

■ The 1994 St-Jean-Baptiste Day parade in Montreal, the city's Canada Day parade (left); the soul searching has become busy

of beer and wine by companies to different provinces, for example, and energy and agricultural issues were not discussed at all. Still, the deal marked the first such co-operative agreement in Canada's history and, said Johnson, "brings the economy into a new era."

Johnson's days of contributing to that evolution, however, appear numbered. The Liberals lag far behind the PQ in every pre-election poll taken this year: can poll schools last week concluded partly for the Globe and Mail and Le Devoir newspapers, gave the PQ a 50-percentage-point lead among francophone voters, and a 51- to 45-percentage-point lead. If that support holds, it could give the PQ as many as 100 of the National Assembly's 120 seats. (The standings now are Liberals 78 PQ 33, Equality party 4, Independents 5, vacant seats 8.) Perhaps most telling, the PQ is leading despite the fact that the same surveys indicate falling support for sovereignty, and little enthusiasm for Johnson personally. In fact, the only face of moral equivalence between Johnson and Parizeau remains the characterization that provides Quebecers day-by-day solace.

Johnson, in the words of *Journal de Montréal* political columnist Michel C. Anger, is so dull that many people see him as former finance minister Michael Wilson "without the charisma." A mumbly, repetitive 25-minute speech that Johnson gave last week at a packed rally in his own riding of Verdun, designed to inspire Liberals, appeared only to prove that point. On the other hand, the political apt to describe Parizeau's single most striking quality is that his confidence in his own abilities is almost breathtaking. Neither escapes widespread affection. Both, on the other hand, speak so perfectly, carefully measured sound bites that stress subjects dear to the hearts of businesspeople everywhere: the importance of deficit reduction, job creation and free trade.

In fact, a re-elected PQ has done its best to push the ill-fated efforts of its previous and at night, while still hoping to draw attention to a new generation of young business-friendly candidates. The old Liberals, PQ supporters are fond of saying, have been re-elected. It is no longer true that the business community almost exclusively supports the Liberals. They have a point, among the PQ's current crop of six candidates are a former president of an accounting firm, Rita Drouin-Morisset, Richard Le Hir the former president of the Quebec Manufacturers' Association, and Daniel Boivin, a former vice-president of the Montreal-based publishing group, Quebec Inc. They, like most Parizeau supporters, regard the goal of economic responsibility and the pursuit of free trade and sound money, in fact, like traditional Liberals. The Liberal themselves, on the other hand, are courting as a candidate Yvon Charbonneau, a longtime far-left socialist union leader, who was driven to quit in the early 1980s for defying back-to-work legislation passed by then Premier Robert Bourassa.

Behind the PQ's careful efforts to portray itself as centrist on economic issues, most of the party's key drama and economic policies will reflect the PQ's roots in a social-democratic group with a strong stake in government. Over the PQ was known for attacking the best and brightest of young Quebec intellectuals. Now, what is most striking is how old many of the candidates are and how many have been with the party since its earliest days in the late 1960s. They include Parizeau, 53, former language case Canada Lawyer, 72, and Denis Lacombe, 68. In all, 18 of the current candidates were members in the last PQ government.

At the same time, the party's election program reflects a liberal tilt that is not always evident in Parizeau's bombastic rhetoric. The PQ program describes government as the "motor of the economy" and supports maintenance or expansion of its role in a wide range of areas. The party platform includes a commitment to try to eliminate unemployment, put a moratorium on the sale of Crown corporations and to increase Quebec government investment in companies doing business in the province. As well, the party program describes deficit reduction as something that is desirable but "should not be achieved blindly at the price of all our past achievements."

On the other hand, the Liberal campaign took power from the retiring Robert Bourassa in January have chased a relatively conservative economic course that serves aimed at reducing government's role in the economy. Finance Minister Jeanne Bourassa's budget, tabled last May, called for the privatisation and sale of eight existing Crown corporations, said said government's future role in any commercial ventures



Parizeau dancing with wife Lucette Laporte; Johnson with wife Suzanne Moril. Below: leading Liberals

should be regarded as "strictly transparency." The party's platform also calls for the complete elimination of budget deficits within the next five years, and a comprehensive reform of the healthcare system, including the privatisation of unregulated services.

At the same time, the Liberal are trying to convert a public relations problem into a virtue by emphasizing the risks of youth and larger numbers of their new candidates. Several of the party's candidates are running for the first time, 32 are 35 years of age or younger.

"We are offering Quebecers a truly renewed party," said John Panella the director of their election campaign. But that is partly because of the unusually high number of Liberals who decided not to run again, these emerging stars include 17 former cabinet ministers. And so the 1995 and 1995 elections, low of the party's new team are well-known.

At well, Johnson, despite his first commitment to federalism and its anti-Berling, has managed to stay anglophone, normally the party's most staunch supporters. The reason he did not oppose any English-speaking Quebecers to his cabinet, and has encouraged or appointed francophone candidates in a number of ridings in the West Island of Montreal, where the concentration of anglophones is highest. One vivid example is the riding of Westmount, where Education Minister Jacques Chagnon is running in a seat that has traditionally been regarded as the preserve of an anglophone destined for the cabinet. But those assumptions of heavy-browed Liberalism do not only come from single players. Former deputy premier Luc Bouché, who chaired several



times with Johnson when both were in the cabinet, complained that Johnson planned to replace him in his riding once before she had decided to retire. Recently Bouché, a well-known figure in the party for more than two decades, complained that "it is no longer true that I am a party."

For the Liberals, that is not a hopeful sign: loyal party members and firm liberals are not everything that the party has in its own hands as it campaigns for what Johnson last week called "one of the most important elections in Quebec's history."

One reason that remains political opponents cite as a key to a popular campaign is to "keep any old francophone even as you make new ones." Already, the Liberals concede that they have little hope of winning votes from the 35 to 40 per cent of Quebecers who still claim, an estimated 500,000 people. Some Quebec individuals will sit on the sidelines by mutual agreement. Instead of Bouché, for example, will play only a negligible role, and Charest is not likely to be involved at all. But the real challenge, Liberals concede, is to persuade federalists who are unhappy with the present government that the consequences of a PQ victory would be even worse.

The PQ, Johnson said in a speech last week, "wants to have [Quebecers] believe that there will be two choices to express an opinion on sovereignty": the election and the referendum. But, instead Johnson "it's the first choice: the election—that matters." Said Quebecers, according to a popular motto in the province, are not traditionally cautious that they "like to wait a bit and see what happens at the same time." And two choices, instead of one, may be the end of odds they cannot relate.

Seeking the common touch

Johnson and Parizeau remake their images

On as described as reserved and cold, the other as arrogant and cold. Daniel Johnson and Jacques Parizeau may be poles apart when it comes to political philosophy, but neither the premier of Quebec nor the leader of the Parti Québécois (PQ) own claims to have the common touch. Both men, in fact, have recently undergone image makeovers in attempts to connect with Quebecers that behind their bombarding exterior they are actually warm, down-to-earth guys. In both cases, those efforts have not been entirely persuasive.

Even before he became premier and Liberal leader on Jan. 11, Johnson attracted the public perception of him as a bloodless bean counter. When Minister of Justice Lloyd Stenger challenged him last November to prove that he was a little crisper, deep down inside, he tossed a glass of water at her and laughed. "Is that crazy enough?" Most recently, Liberal party strategists have tried to soften their leader's profile by spreading the notion that he is really a family fellow with a special fondness for the cause of John Lennon. The reality, according to party insiders, is that the public's first perception was essentially correct despite the new image. Johnson is a very serious man who neither cracks nor laughs freely easily.

He was born 49 years ago into Quebec's political elite. His father, Daniel Sr., was premier under the Union Minière banner from 1965 and his uncle in 1965 and governed under the famously ambiguous slogan "Equality or independence." His younger brother Pierre-Marc joined the PQ and served as premier for just 90 days in 1985 before being sworn in to the Liberal Conservative government. He has long touted that each brother embodied one aspect of their father's slogan, making the Johnson family a perfect symbol of Quebecers' ability to straddle federalism and sovereignty.

And while it is a man who has been an unimpressive public figure since the late 1960s, he has an enduring fondness for all things British, starting from his student days earning a doctorate at the London School of Economics. He had of speaking several times in English with P. Q. Wadehouse as experienced like "My Jove!" has long amused observers. And Parizeau has confessed a weakness for the Queen and even vowed that an independent Quebec would be a member of the Commonwealth—"for old time's sake."

Parizeau's image remodeling started in 1991, when his handlers persuaded him to shed his past-impetuous British banker's aura in favour of another familiar quality. Once notoriously shy, he began to leave his hair off regularly, had his teeth capped and cut down drastically on his smoking and drinking. Parizeau's habits continued in 1992, when he spent his second year, long-term PQ activist Lucette Laporte, who is a figure by his side at public events. Her friends have said that the new relationship inspired Parizeau, who in 193, to step out of a deep-drawn shell brought on by the death in September, 1990, of his first wife, Alice, a respected novelist. They had been married for 34 years and had a son and a daughter.

Despite his new look, Parizeau, too, has not fundamentally changed. He remains a loner who almost never shows at public events. He has a familiar "Mr. Parizeau" form of address even with longtime colleagues. He remains in PQ critics a "Mon-sieur," reflecting a widespread feeling that he is aloof and insensitive. He has also been criticised for his social wealth, inherited from his father Jean, who was president of a Montreal insurance company, and owns a 125-acre farm in Quebec's Eastern Townships. And while it is a man who has been an unimpressive public figure since the late 1960s, he has an enduring fondness for all things British, starting from his student days earning a doctorate at the London School of Economics. He had of speaking several times in English with P. Q. Wadehouse as experienced like "My Jove!" has long amused observers. And Parizeau has confessed a weakness for the Queen and even vowed that an independent Quebec would be a member of the Commonwealth—"for old time's sake."

ANDREW PILLER

With CHRISTINA WOGANIS in Montreal and LOUIE FISHER in Ottawa

SPEAKING OUT



Quebecers debate the fate of the province—and the country

It's twofold, and the conventional wisdom is that Quebecers have tuned out politics and the beach no longer beckons. But as a series of interesting conversations with the star of *My American Cousin*, Maclean's correspondents Mark Cardwell and Christina Wikström found that Quebecers remain as engaged—if somewhat ambivalent—about the choices facing them. A sampling of opinions.

**François de Carle, 36, is a sen-
thorapist and director of the Centre de
Thérapie Louvain in Montreal.**
"I am voting for the Parti Québécois [PQ],
first on the grounds for separation and sec-
ond because I want a new government. Even
if the PQ wasn't for separation, I would still be
voting for them just to oust the Liberals from
power. With all the taxes we owe, it's not too
attractive to live in Quebec right now."

"I like English people very much and all
other nationalities. Separatism is not racism
against anglophones, it is the desire to keep
an eye on our own affairs. I believe it [sepa-
ratism] will mean a drop in our standard of liv-
ing. But in the end it will be their saving and
living in our own home instead of suffering for
a rented apartment. We will be led and man-
aged by our own kind of people. Quebecers,
and that is the personal view."

**Jacobsen Simard, 36, is an insurance
salesman and municipal councillor in
St-Firmin-de-Noyon, a village of 2,500
people 40 km east of Quebec City.**

"Who only has two options to choose from,
we really don't have a hell of a lot of choice
here in Quebec. I'm a Prostate by nature. I
was a union separatist in the 1970s, I
studied in favor of sovereignty under the
1960 and I voted for the Bloc Québécois
[BQ] last fall. But I have to admit that I'm
going to vote Liberal for the first time. I
want leaders who are willing and able to do
what they say. I think Donald Johnston
showed a lot of balls by making so many
[separatist] cuts and gentrifying so many
things out before an election."

"You speak to you in a Canadian. It's just
that our roots on how the country should be
run are so different. I voted BQ because I
wanted to be heard in Ottawa. It was the
same damn thing for newcomers who voted
Bellefleur. My vote was just as valid as theirs.
We'll always have regional parties in Canada
because alienated areas will want to fight con-
tributing powers from time to time. But it's
my country, mine and I."

**Karen Macdonald, 33, is one of a rare
bilingual anglophone born in Quebec
City. She is also owner and publisher of
the weekly Quebec Chronicle-Tribune.
Quebec City's only English newspaper,
and host of a daily public affairs show
on CMOU Quebec City's only English
television station.**

"I'm convinced the Parti Québécois is
going to win the election. But that shouldn't

different means with different concerns. But
it's weird because Canadians have always
been able and willing to compromise. I think
perhaps we're having a bit of that reality."

**Florent Harvey, 40, is an accident
prevention consultant with Hydre
Quebec in Montreal.**

"I'm not an separatist. But I do vote
separatist for Quebec. The federal system is
just too big and sloppy, we're lost in an admin-
istrative quagmire. Up until the 1970s,
Canada was a big, prosperous country with
more than enough to go around. That's not
the case any more. And who the hell should
we have to pay for others?"

"I'd definitely vote for independence in a
referendum. And the referendum process will
be a smooth one. There won't be any reduc-
tion in our quality of life. There won't be any
war, ethnic cleansing or terrorism."

"If the PQ loses the election or the referen-



■ **Masse:** "There is a great deal of ignorance because we are not being told the whole story"

worry people because, like everyone else in
North America, Quebecers are simply disap-
pointed with the way the government is being
run. They want change. At the same time,
however, I honestly believe that people here
do not want fundamental change. They want
life to continue as they know it. As a result,
any referendum on separation won't go
through. It's as simple as that."

"Canada has always been an uneasy
alliance, a reluctant embracing of people from

abroad, and it will be a setback. But the sov-
ereignty idea will continue and will eventually
come to fruition."

**Aldo Masse, 42, was born in Calabria,
Italy, but has lived in Quebec for 21 years.
A parliamentarian for the Montreal-based
broad bilingualism, he speaks French,
English, French, Italian and Spanish.**

"I'm probably one of those people who is
bored with the whole thing [Quebec ques-



■ **Macdonald:** "Canada has always been an
uneasy alliance, a reluctant gathering"

tioned), the question has been overdone for
the Quebec is really almost an independent
state. We handle our cultural affairs on our
own. We have our own star system in the pop
world. Quebec supports its own artists."

"There are hidden agendas going on, peo-
ple who are screaming for separation. I just
don't trust them because I think this is a great
place to live. Unfortunately, there is a great deal
of ignorance because we are just not being told
the whole story."

"I think the quality between French and
English-Canadian is fantastic. It's been badly
managed and badly perceived and it has been
used as a political football, but I think we have
the [opportunity] for incredible co-existence, agree-
ment, and we will spend it all by making ex-
cellent music."

**Dennis Araya, 30, is co-owner of one of
Quebec City's biggest and best-known
restaurants, Le Biscuitier.**

"If the PQ were the election and the referen-
dum still occurred in separate sessions, so be
it. I think it will be a good thing in the long term
and an immediate relief after the endless fights
and discussions we've had over the issue. That
doesn't mean I'm in favor of separation."

"The issue behind the separatist cause is an
economic case—fighting to save one's culture."

At the same time, however, it just doesn't seem
a valid enough argument to favor seceding up
the country. To be honest, I still combined.
Some days I'm 70 percent federalist, other
days I'm 30 percent separatist. Canada is one
of the most beautiful countries in the world.
Canadians are generally open to new ideas, but
that doesn't mean he's changing. There's a lack of
communication between regions. It's like
everybody has already got their opinions
ready in advance and they don't listen as what
the other side is saying. All areas of the country
have to listen, learn and accept."

A touch of class



BACKSTAGE OTTAWA

BY ANTHONY WILSON SMITH

In the 1980s Quebec
provincial election
campaign, a small
but deeply impressive
display of politics
and politeness—of
their front was played
out in the gritty
inner-city Montreal riding of Mercier. There,
a six-week battle was fought door-to-door,
hard but clearly and cheerfully, between
Parti Québécois incumbent René Gauthier
and his challenger, Liberal candidate John
Pansella. The two men went through the
campaign without ever comparing notes effec-
tively—and usually, when each other's name
came up, passed the other's personal qual-
ities. When it was over, Gauthier, a poet and
journalist in previous professional lives,
won the riding, despite the
fact that the Liberals swept
most of the province. The
day after the election, Pansella
met Gauthier in a warm
congregational radio, Gauthier,
47, who went on to be-
come Robert Bourassa's
chief of staff and now runs the Liberals'
campaign, says he will likely withdraw from
political involvement after the election be-
cause "there have been too many nights in
this riding where I've been in my family."

Gauthier, who held the riding for 55 years, is
leaving for a sabbatical reason at 55, he has
suffered for several years from a brain in-
jury, and his condition has worsened in the
past year.

It would be hard to think of two people
whose political views are more opposite.
Pansella's involvement in politics stems from
his fierce commitment to feminism. "I love
Canada," he says—a rare sentiment to hear
expressed in Quebec politics. When many
Quebec Liberals quarrelled their commit-
ment to feminism after the collapse of the
Meech Lake accord, he was one of the few
in high party circles who never wavered.

Gauthier, on the other hand, is a devout op-
erationalist who was jailed during the October

Crisis in 1970, and later
won personal revenge
by winning Bourassa's
seat from him in 1976.
But it would also be
hard to think of two
men who have done
more to build bridges
between groups and to make Quebecers
open and cosmopolitan. Pansella, born in a
working-class section of Montreal to an
Italian father and an Irish mother, was one
of the first ethnic Quebecers to break into
the elite—and mostly wealthy—world of
Quebec City, Outremont and Westmount
types who traditionally filled the highest po-
sitions in the party. He ran in Mercier in
1985 even though he was often disparaged
more comfortably as a fringe with a better
chance of winning. He
chose that riding, he said,
because, "I knew like the
streets I grew up in."

Gauthier, born in a work-
ing-class family in early
transcultural Trois-Rivières,
grew into a man who
actively reached out to
other people and ethnic
groups. To win support
at Mercier's large,
mostly French-Canadian
community, Gauthier
learned the language. At a time
in the 1970s when the BQ
routinely denounced anglophones for all manner
of real or imagined sins,
he wrote a friendly, dis-
cussing column in English for
the now defunct Montreal Star.

In the early 1980s, many PQ members were especially
bitter towards non-francophones because
they blamed them for the defeat of the Yes
side in the referendum. Gauthier, despite
his own disengagement at the time, carefully
went out of his way to meet with all major
ethnic groups as possible, and repeatedly
re-emphasized party colleagues that the votes of
Quebecers of all language groups count
equally. In private life, one of his best friends
was an anglophone and then followed them
to Toronto with whom he collaborated on
several artistic projects.

In politics, success is inevitably measured
by who wins, and who loses. In Mercier in
1985, Gauthier won. In the two elections of
1985 and 1988, Pansella's Liberals were vic-
torious. But as the two men stand up their
remarkable political careers on opposite sides
of the fence, they leave behind one clear
winner (the people of Quebec).

BACK TO THE FUTURE



The only thing missing is fun
in a replay of the Quebec drama

BY BENOÎT ALBIN

You should have seen the smirks and the playful chins when Jacques Parizeau told reporters for the first time that his plan to revive the Parti Québécois was to make it a hardline separatist party again. "The PQ will be an outright separatist party before, during and after the election," he promised upon becoming party leader in 1994 and has repeated a dozen times.

Six years ago, the PQ was a spent force, divided, demoralized, split, nation and broken—and most observers called that promise sheer political jolly. Back then, people were looking forward to a solution instead of looking toward for reasons to revolt. Canada was about to be "saved" by the Meooc Lake constitutional accord. Known federalism was the flower of the day. The idea of separation looked as obsolete as black-and-white television. Parizeau sounded like yesterday's man pushing yesterday's solution to yesterday's problems.

The new, according to the latest polls, the PQ is poised to capture between 80 and 100 of the province's 125 ridings. Many are now prepared to support the PQ in the upcoming election then are prepared to support sovereignty for Quebec in a referendum. And more people are dissatisfied with the Liberal government than are yet prepared to vote for the PQ—meaning Parizeau's party can expect to pick up even more support by saying day in other words, a walk. Parizeau's advisers are convinced that all he has to do is wait, let critics take the government for unimpeachable jettison, and he'll be made.

Parizeau's current good fortune is the result of good strategy and smart tactics. The strategy was to bet that constitutional reform aimed at erasing Quebec would be rejected by the other provinces, and to pass this argument as a long-term alternative. The tactic was to wait for the only federalist party in Quebec to tumble and fall. As a result, if Parizeau can hold that line throughout the campaign, he stands a good chance of winning—despite the fact that

revolving against Canada probably is the last thing on the minds of most Quebec voters nowadays. Reports from the four ridings in which separatism have been under way since July 7 make one thing clear: This election will not be about supporting Canada, or about venting frustration against Ottawa. It is mostly about jobs, joblessness, budget cuts. And about a change of government.

In a way, Quebecers are back today to where they were in the summer of 1976.



Parizeau with Parizeau during Quebec's 1994 referendum campaign excitement

when an incoherent René Lévesque was about to land the Parti Québécois in power for the first time: voters seem prepared to dance with the PQ, but not yet ready to go home with it at the end. The only thing missing this summer is the film. Back in 1976, there was a sense of promise, excitement, novelty, a sense of coming of age, a sense of revenge. Now all there was hope, barely, barely hope, as there always is at first, when underdogs, ideologues, youths—or the NDP—capture political power.

The theme song of the PQ campaign said things like "It's the beginning of a new era" and "We're looking forward to us." People believed in it. The PQ focused not on ruling competency, class, corporate chicanery—its and far between—anyone—were shown.

Party activists worked for free, out of a sense of mission. Everything was changing at the time, and the party representing the French-speaking baby boomers—youth-oriented, well-educated, ambitious and very francophone—had captured power. Tomorrow belonged to them.

It did, and now tomorrow is today. A funny thing happened after a majority of voters rejected separatism in the May, 1980, referendum. French-speakers have nonetheless become the dominant force in Quebec, often forcing their own agenda upon other Canadians. During the past 30 years, Quebecers have had to learn, sometimes in pain, to view themselves as a majority—often under attack from its own minorities—rather than as a minority protesting against the majority. Majorities' agendas seldom protest.

Parsons knows full well that Quebecers will not get all fired up over the current federal-provincial showdown. Quebecers won't fight at last this time over whose bureaucrats will say whether chorale language, culture, law, translation—what's what moves them.

After eight years of Liberal rule, a cruel recession, and the failure of Robert Bourassa to pick up the constitutional problem, Daniel Johnson was the only candidate ready and willing to take over as party leader and premier. As president of the Executive Board, Johnson has made dedicated remarks of public sector employees. Neither critics view him as a hopeless disaster, but his spending cuts were too hard to win him a Ralph Brown-like man among best-of-voters. For most voters, Johnson is the first Quebec premier who does not have a plan to change or improve the Constitution. That, in a province where "status quo federalism" has become a dirty word, even among federalists.

A political crisis seems to hang over the heads of the Johnsons in Quebec. In the 1980s, Daniel Johnson Jr. was premier for only two years. In the 1990s, younger brother Pierre-Marc Johnson was premier for all of 18 weeks. Now that it has come at last, Daniel Johnson Jr. has to announce very large odds if he wants to keep his job and his Jacques Parizeau talk of Quebec's aspiration before, during and after the election.

David Albin is a managing editor of Le Devoir in Montreal.

STRIKING IT RICH

A Statistics Canada report revealed that Paloma, a mining community of 200 people on Little Cornwallis Island in the High Arctic, is the richest neighborhood in Canada. The median income of the area and had mine—what fly into the community for eight-week shifts but leave homes in other parts of Canada—was \$32,500 in 1992, compared with the national median of \$18,400. The survey showed that the richest urban area in Canada was the community of Rockcliffe Park, bordering Ottawa, where the median income was \$38,000.

UNABATED TRAGEDY

Seven months after they were asked to leave the Labrador community, most officers returned to Quesnel at the request of local Inuit leaders. David test Chief Simon Tapisquash said that at least 42 Inuit children are showing symptoms of grief, including many of the 17 chronic job snafus who were sent to an Alberta native treatment center just prior after a rash of suicide attempts.

THE BOTTOM LINE

A study released by the Toronto-based Canadian Tax Journal said that, between 1977 and 1990, Alberta pumped \$29.9 billion into Ottawa's coffers than it received back. By comparison, the study said, Quebec injected a net gain of about \$95.1 billion.

SORRY, CANADA

Nick Milner, owner of the Canadian Football League expansion team, the Los Vegas Posse, and a letter of apology to Prime Minister Jean Chretien after anger Dennis K. C. Park claimed a national version of O Canada before a nationally televised CFL game in Las Vegas. Park, who received a \$1 million fine for his actions, sounded more like O Christmas Tree, and he was deluged by the critics in the 20-000-foot football stadium.

A MILITARY APPEAL

Military prosecutors are appealing the acquittal of Lt.-Col. Gerald Gault, the high school teacher officer charged in connection with the March, 1992, burning deaths of a Somali teenager by Canadian soldiers. Melhuus was found not guilty in June of charges that he disobeyed orders by telling his soldiers to shoot at looters of their camp in Somalia. The appeal argues that the judge's verdict at the military court was "manifestly unjust" because the military panel acted on the law, and was wrong to rule that some of the prosecution's evidence was inadmissible.

Canada NOTES

'We want you to come home'

The yellow balloons, balloons, equipped with two loudspeakers, floated over the dense Saskatchewan bush country, broadcast in his desperate messages of love: "We want you to come home," said eight-year-old Lindsay. Confession in a recorded plea to his twin sister, Ashley, was dropped into the bush on July 14. "Everybody misses you," Ashley's parents, grandparents and aunts urged her to get the girl to show herself to searchers. But by week's end, the plans had gone unheeded and hopes that Ashley would be found alive were growing dimmer.

Ashley Krestonovich last



Chretien had gone missing from her house, just over a kilometer away, five days earlier. A coroner's report later ruled that the girl was either strangled or suffocated about two days after she disappeared. It also said that she may have been sexually assaulted.

Reforming Reform

The 19-member Reform party caucus held a special two-day meeting in Ottawa to address widespread criticism that their performance in the House of Commons since last fall's federal election had been disappointing. The key change: Reformers decided to add a traditional shadow cabinet with critics assigned to specific areas, rather than the current system of widespread criticism of a wide variety of subjects. Among the most high-profile critics appointed by Reform party Leader Preston Manning: Herbert Grubel and Jay Spence (Finance), Paul Fierstein, Jack MacKay and Myron Thompson (Health), and Art Hanger (Transportation).

Herbert Manning had earlier said that MPs should avoid talking about the Constitution, he also assigned three Reformers (Stephen Harper, Bob Douglas and Jim Sney) as "national unity" critics—even though there is no corresponding cabinet portfolio. Asked to explain the change in emphasis, Manning charged opponents: "Perhaps you haven't heard there's going to be an election in which some people want to secede." Manning also alluded an explanation for why his party was

overhauled by the Bloc Québécois during the first session of Parliament. "In preparation for the Quebec election and the referendum, the Bloc has been on a jumpy pace," he said. "It's got to seem as points are, because that's what it was in the referendum. We have to pick it up in 1997."

No pay hike for MPs

A three-member commission that spent six months studying parliamentary pay and benefits concluded that in "an ideal world" MPs would be paid more than \$100,000 a year—a 25-per-cent increase over the \$84,000 base salary they now earn. But given the current economic climate, the commission proposed that the salary increases be limited to \$75,000 in 1997 and to \$86,000 after the next federal election. The report said that MPs should continue to receive their parliamentary pension, though it recommended that they should only be eligible at 55 (45 for those currently entitled to pensions after they are declared to be incompetent or incapacitated). If they have served at least 10 years in the House of Commons, their pension would be increased by the government has no intention of raising MPs' salaries.



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NIGHTMARE IN ZAIRE

An outbreak of cholera adds to the miseries inflicted on Rwandan refugees

The dead lie on the barren ground of eastern Zaire as far as the eye can see—husbands and wives, mothers and children, locked in final embraces and swathed from head to toe in a cloud of white cloth. The air is thick with the stench of rotting flesh and the sound of a single, wailing cry. It is a scene of unimaginable horror. The victims are not Zairians, but Rwandans, fleeing the violence of their home country and seeking refuge in the neighboring Zaire. They are refugees from a nightmare, a nightmare that has become a reality for millions of people in the Great Lakes region of central Africa. They will go on dying for days or weeks because there is no clean fresh water, food, and medicine to deal with a disaster of this catastrophic scale.

The refugees are the casualties of a civil war that has raged in Rwanda since April 1994. In a 10,000-square-mile land of mountains, deep valleys and lush pastures, Hutus incited from among Tutsis to kill their Tutsi neighbors, slaughtering an estimated 500,000 men, women and children. After the Tutsi regrouped and counterattacked, nearly three million Rwandans, 40 per cent of the population and mostly Hutus, fled the country to escape the violence. The United Nations estimates that 1.4 million of them are in Zaire, 1 million in Rwanda, to the south, and 800,000 in Tanzania, to the east. Last week, the victorious, Tutsi-dominated Rwanda Patriotic Front set up a new government in Kigali, the capital.

The Tutsi and Hutu people are heirs to an ancient and often tumultuous culture. The Hutus, mainly farmers, worked the land for their Tutsi masters, who also held political power and produced the kings who ruled the region for centuries. Through conquest and assimilation, many Hutus became part of the ruling class. By the late 19th century, both found themselves absorbed into German East Africa. The continent had become a paradise for European planters and playboys out to prove their mettle, but for Africans, dispossession was a modern experience. After the First World War, Belgium inherited the Hutu and Tutsi, and after the Second, Western nations turned the Hutu to demand equality. Violence broke out and 300,000 Tutsis fled the country. In 1991, the Belgian-backed Hutu government deposed the last king, King Zaire, and declared a republic that became formally independent the following year, although the violence continued off and on.

But that fighting never took a toll like the one now being exacted by disease, thirst and hunger in starving, overcrowded camps in and around the Zairese town of Goma. French troops and civilian aid workers have been trying in vain to contain the death in this African hellhole and, desperate to prevent the spread of cholera and malaria, concentrate on burying them in communal trenches. The French relief agency, Doctors Without Borders, says

that cholera now threatens to reach 50,000 refugees, and half would likely die without treatment. The United Nations wants 60,000 latrines, but they will have to be dug in solid lava rock from a volcano that some experts say may be on the verge of erupting once again, magnifying the horror. Relief agencies are trying to dig up 200,000 gallons of water a day; the United Nations says 30 million gallons are needed for the thousands of Rwandans now drinking from a polluted, polluted lake.

Last week, as Canada pledged an additional \$10 million in aid and President Bill Clinton ordered thousands of U.S. armed forces personnel to begin round-the-clock relief

efforts with food, medicine and water, the United Nations said the Tutsi-dominated military had agreed to the safe repatriation of the refugees with the help of French and U.S. troops. The Canadian commander of the 19th Assistance Mission in Rwanda, Maj.-Gen. Romeo Dallaire, added that detailed planning had begun to create "a secure environment for the return of the people." However, Dallaire cautioned that even if the refugees fled to go home, organizing the migration would take days. And by then, there will be far fewer alive to attempt the journey.

RAE CORRELL



Rwandan man comforts his dying wife, stricken with cholera, refugees streaming into Zaire tonight on African holocaust



PHOTO BY AP/WIDEWORLD



The arrival of a transport plane loaded with humanitarian aid sends refugees in Goma scrambling, with bodies of cholera victims being thrown into a hastily dug mass grave (top); the starving Tutsi and Hutu peoples are heirs to an ancient and often tumultuous culture

World NOTES



DEADLY BLAST: Rescue workers sift through the rubble of a Jewish centre in Buenos Aires after an explosion destroyed the seminary building, killing at least 48 people and injuring more than 200 others. As weeks end, several dozen people were still missing. Israeli officials said that an Islamic terrorist group, Fatah of God, had claimed responsibility for the blast, as well as for the bombing a day later of a plane in Panama. Twenty-one people, most of them Jewish, died in that explosion.

Haiti heats up

The U.S. administration continued to ramp up the heat on Haiti's arrogant military ruler, seeking UN authorization for an invasion to force him from office. Laying the groundwork for possible armed intervention, Madeleine Albright, Washington's ambassador to the United Nations, announced that she was seeking support for a Security Council resolution that would permit U.S. and UN forces to use "all necessary means" to secure a "stable environment" in Haiti. The United Nations used similar phrasing when it authorized U.S. led troops to quell long occupiers from Rwanda in 1990.

Albright stressed that "no deadline has been set" for Haiti's rulers to step down and no firm deadline had been made to launch an invasion. She added, however, that Haiti's democratically elected president, Jean Bernard Aristide, wanted by the military in a bloody 1991 coup, was "expected" to military action. Aristide is barred by Haiti's constitution

from directly endorsing foreign intervention.

The resolution involves a two-stage intervention, beginning with a U.S. led invasion to oust three Haiti's military leaders. After that, a UN force—probably including Canadian troops—would step in to keep the peace and train Haitian police and soldiers.

A Vatican warning

In the latest strategy by the Vatican to reduce the influence of a UN population conference scheduled to begin on Sept. 5, a senior Roman Catholic cardinal warned that the gathering would cause "the most disastrous massacre in history" if it sanctioned abortion as a means of family planning. The card's earlier effort is expected to draw up a 1999 plan to stabilize the world's population, in part by quadrupling the amount of money given to poor nations for family planning. But Alliance Cardinal Lopez Trujillo said it was wrong for the world's rich-developed nations to impose their views on less-developed nations.

BLAIR TRIUMPHS

Britain's Labour Party chose 41-year-old lawyer Tony Blair as its new leader, succeeding John Smith, who died of a heart attack in May. With John Major's Tories trailing badly in public opinion polls, Blair, a moderate, is well-positioned to become the country's next prime minister. A general election must be called no later than the spring of 1997.

A CONTROVERSIAL BIRTH

Rosemarie Della Cotta, a 52-year-old Italian woman who became pregnant after a doctor's eggs were implanted in her uterus, delivered a baby boy in Rome, becoming the oldest woman in recorded medical history to give birth. Controversial fertility doctor Severino Antonicelli, who, last year, helped a 59-year-old British woman have twins, used the sperm of Della Cotta's husband, also in his 80s, to fertilize the eggs. The Vatican condemned the procedure, claiming that it defied God's will.

DEATH THREATS IN RUSSIA

The Canadian Embassy in Moscow tightened security after Ambassador Jeremy Kinnear, 57, became the target of death threats. Foreign Affairs spokesmen declined to release details about the threats or about the heightened security measures. But Moscow newspaper reports speculated that they might have came from a disgruntled would-be emigrant.

MIDDLE EAST MISSION

U.S. Secretary of State Warren Christopher wound up a week-long Middle East peace mission without breaking an Israel-Syrian deadlock over the occupied Golan Heights. But a Syrian government spokesman said that President Hafez al-Assad had accepted the U.S. offer that he was ready to discuss ways to seek the peace process earlier in the week. Christopher took part in a historic summit at a spa in the Dead Sea involving Jordan's prime minister, Abdullah II, and Israeli Foreign Minister Shimon Peres.

SENTENCES INCREASED

The British government announced that it has set minimum terms of 15 years for two Liverpool boys convicted of kidnapping and finally murdering 10-year-old James Bulger. Robert Thompson and John Venables, both aged 10 at the time of the crime, were sentenced to indefinite terms last November and ordered to serve at least eight years before being considered for release. Bulger's parents, who had campaigned for longer sentences, welcomed the government's decision.

MEXI

special report 1994

Mexico and Canada: The doors are open



■ Manuel Tello Marín, Foreign Minister

NAFTA was without a doubt Salinas's greatest achievement, but Mexico is keen to establish trade relations with other countries around the world.

Mexico has made it clear it aims to be promoted to the world of industrialized nations, but the recent rebellion in Chiapas is a reminder that, for many of its people, the economic reforms have meant little or nothing. In 1991, PROUNASOL (the National Solidarity Program) set up mostly with funds from privatization, spent 3.6 billion dollars on basic infrastructure. The Chiapas message is that it was not enough. "Mexico is still way behind in some areas, as the conflict in Chiapas has shown," Tello Marcos explains. "The violence lasted 11 days, and on the 12th day the parties mutually opted for the political solution and headed for the negotiating table."

Liberalization started when Mexico joined GATT, says Foreign Minister Manuel Tello Marín. To 1990 we solved the problem of our foreign debt, a year later we were among the founding members of the European Bank for Reconstruction and Development and we are now a full OECD member. We also want to strengthen our ties with Europe. "Mexico deals with most Asian countries on the Pacific rim except for Japan," Tello Marín adds. "And we have excellent political relations with Latin American countries although we tend to focus on trade relations. The Group of Three, a free trade agreement with Colombia and Venezuela, should come into effect soon. It should be followed by similar agreements with Bolivia and Chile. We have to diversify our ties."

Mexico is now about to initiate contacts with Canada, a neighbor of sorts, geographically close but culturally distant. "Canada and Mexico cannot possibly make a sandwich," says the Foreign Minister. "There is too much meat in between. Nevertheless, our trade relations are quite encouraging: we have gone from one billion to 5 billion dollars in three years. Apart from this, the two countries agree on a great number of issues which have been mentioned at the United Nations and the Organization of American States. Here, we are ready to welcome our Canadian friends in the typical, warm Mexican fashion." ■

Mexico-Canada trade takes off

NAFTA marks the beginning of a new era for Canadian-Mexican relations, giving trade and investment a special boost as the two countries celebrate the 50th anniversary of their diplomatic ties.

"Our trade with Mexico has really grown recently," Canadian Ambassador David Wenfield says. "Mexico is curious about our technology and the Mexican market represents tremendous opportunities for us. In the past Mexico was not important to us because we saw it as a part of the American sphere of influence, and the 1982 economic crisis turned a lot of Canadians away from Mexico."

The traditional areas of trade between Canada and Mexico have been agriculture, mostly wheat, steel and mining equipment.

New areas with great potential are developing, the ambassador says, such as telecommunications. "Recently, the Canadian company Northern Telecom signed a major contract in Mexico for 330 million U.S. dollars. We are also active in the transportation sector and auto parts."

According to the ambassador, the best Canada can

offer Mexico is its computer-based high technology. Mexican firms are already importing technology from Canada and "we estimate that represents exports of 600 million dollars a year." Canadians, known for their concern for the environment, are helping Mexico clean up its air, bringing the latest anti-pollution equipment. Tourism is another important trade area with 805,000 Canadian tourists having visited Mexico last year. But Canadians also have a lot to learn in



David Wenfield, the Canadian Ambassador in Mexico.

Mexico, the ambassador says. "A lot of Canadian companies are venturing outside Canada for the first time. Not only has Mexico become an export market but it is also a place where Canadian companies can learn about exports."

Commenting on the recent Chiapas uprising and a wave of kidnappings, the ambassador comments that

the government and the people are handling the crisis very well. "The process of democratization, the opening of the political system, public debate, all this is very encouraging. The difficult period will start August 22, the day after the presidential election. There will be arguments over who won, whether there was fraud or not. If the political parties decide to work together, which is what business wants, then everything will be fine."

Mexican businessmen put their money on NAFTA

As Mexico has gone through a spectacular transformation in very little time. We have gone from a paternalistic, populist system with high state participation to an open, competitive society in only 12 years. This socioeconomic revolution did have a price, however: the economy slowed down and investment fell sharply in 1993 after four years of sustained growth of between 14 and 15.5 per cent.

Q: How did the world recession affect Mexico?

A: The world recession, in particular the U.S. recession, was a big blow for Mexico. Don't forget that the U.S. is our main trade partner (70 per cent). The international crisis plus the internal adjustments have meant that 1993 was a difficult year, with no growth.

Q: What does the future hold for Mexico?

A: The current policies are without a doubt the right ones to generate growth and employment. We predict several years of sustained socioeconomic level. We need to improve education, training and services.

Q: What are the main obstacles to these changes?

A: We are still fighting for restrictions to be lifted, not on a national level but on a re-

gional level. We are also working on improving productivity on the basis of a tripartite agreement involving government, business and workers. This climate of consultation should speed up change, but obviously there are times when even businessmen find it hard to understand and digest the readjustments.

Liberalization is the right way to go but we also need to improve education, training and services

Q: How well Canada and Mexico get to know each other better?

A: It's a strange relationship. Before NAFTA we knew that Canadians liked our climate and for us there was something magical about Canada. We both have an immensely powerful neighbor. Trade between our two countries is minimal, but NAFTA gives us the opportunity to get closer. Mexican businessmen have leapt in NAFTA. They believe it was skilfully negotiated to benefit all three countries. ■



Luis Gerardo Cárdena García, chairman of CCE.

As a country with a growing population of young and middle class, Mexico is in a hurry to stop being wealthy America's poor brother. After 1982, a year of acute economic and social crisis, Mexico embarked on an open-door policy which culminated with NAFTA, and which reflected to a higher extent than expected the real feelings of the population. According to polls dating back to 1981, 65 per cent of Mexicans were ready to face the challenge of opening up to the world. This attitude has filtered through to business circles, says Luis Gerardo Cárdena, chairman of the Business Coordinating Council (CCE).

Q: What do you think about the squeeze imposed by the government to put order to the economy, cut inflation and give confidence abroad?

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■ **Roberto Gonzalez Barrera**, chairman of GRUMA

■ **Alfredo Luis Camilo**, financial director of FEMSA

■ **Juan Sanchez Navarrete**, vice-president of Grupo Modelo

Mexico's giant food companies are getting ready to launch an offensive abroad.

Choice for Mexican firms: improve or disappear

Most Mexican businessmen would rather forget the decade of the 80s, which they say was extremely tough on the country's commercial and industrial development. "Before, everything was an ordeal," explains Roberto Gonzalez Barrera, chairman of the Masco industrial group. One of Masco's companies, Gruma, a giant in the food sector, makes dough, and sells corn and wheat flour as well as tortillas. A staple food in the Mexican diet, founded 45 years ago, Gruma grows at an annual 17 per cent and produces 1,600 tons of dough a year. Its shares are quoted on the Mexican stock market. Gruma's number one market is the Mexican market (68 per cent of sales), then come the United States (34 per cent) and Latin America (five per cent). Gruma is now in Guatemala, El Salvador, Nicaragua and Venezuela.

"Our plans for the period 1993 to 1996 is to boost sales from one to three billion dollars,"

the Gruma chairman explains. "This year we hope to grow by 26 per cent. We have to finish modernizing the dough industry and start working on improving and modernizing the tortilla industry. If we want to reach the figures just mentioned, we'll have to invest about 1.2 billion dollars this year."

Another leading group in the food and drink sector, Femsal, highlights the urgent need for food and drink companies in Mexico to modernize their infrastructure. Femsal, a major beer producer also active in the

salt drinks sector, invested a total of 950 million dollars over the last five years to improve its efficiency and productivity, a move Femsal's financial director Alfredo Luis Camilo describes as a big success. "Our production has risen considerably, by 15 to 20 per cent. The good is that our production of cans for salt drinks has gone from 800 million to two billion and, in the commercial sector, the number of our stores has risen from 250 to 690 today."

FEMSA Operating profit			
(billions of Mexican Pesos)			
% integration			
404			
	232		
		142	
			28
Beer	Salt drink	Drink aging	Total
50.1	28.8	17.6	3.5
USA 1 - New pesos 2 1			

According to Livas Camilo, the government's economic reforms mean "managing our finances more efficiently. We lack the internal resources to meet the challenges of economic under development and a constantly rising population. We need foreign capital. As for NAFTA, I think it sets the rules of the game to make sure the foreign investor reduces his risk and that resources can be made available more readily." Femsal also allocates part of its budget to the fight against pollution. Two years ago Femsal spent four million dollars on water treatment at its Toluca and Malpa plants.

Relations with foreign countries are an essential part of the Mexican industrialist's policy. They are crucial to growth and the penetration of markets abroad. The big commercial groups are on the look out for foreign capital whether through strategic partnerships or investment.

**Mexico conquers the world
with tortillas and beer.
About 34 per cent of the total
tortilla production goes to the
U.S. and Corona sells in 84
countries around the world.**

"I see young and not so young businessmen who want to grow as well as groups that have gone out looking for partnership with foreign companies, as we have," says the chairman of Gruma. "We negotiated with Weston for a whole year, now we have a deal. We have equipment, technical staff, a commercialization plan. All there is left to do is to determine percentages of shares." Gruma operates through one of its divisions, the restaurant chain Recaredes in the fast food business, with a network of 60 stores. The idea is that fast food will quickly catch up in medium and big cities where taco stands can be found at every street corner.

The Mexican beer Corona, brewed by the Modelo group, is already on sale in 84 countries around the world and is one of Mexico's main exports. The group's vice-chairman Juan Sanchez Navarrete says the changes are the work of a new generation of professionals who have taken the necessary measures to clean up and change once and for all the country's economic landscape.

NAFTA is the culmination of a long and slow adjustment process. "From my per-

spective I can say that it is now time to change, improve and look for partners. The idea is to try and reduce costs and improve efficiency and productivity. There is no other way, improve or disappear."

The Gruma chairman agrees that "we have made gigantic efforts. Going from protectionism to the opening up of the economy has meant some huge sacrifices. In the food sector we were falling behind. Modernizing our facilities was a must. Let's not forget that we had been through a period of controlled prices and subsidies - a

situation that is obviously not conducive to industrial development."

When it comes to food, Mexicans admit that relations with Canada are minimal except for Gruma's deal with Weston. However, there have been signs of growing commercial exchange since NAFTA came into effect. According to Livas Camilo, "our commercial relations with Canada have doubled over the past year. We have worked with Canadian financial institutions in the past. A huge market, the Mexican market, has opened up for Canada."

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Industrial groups are Mexico's fittest

Mexico's big industrial groups are in a better position than any other areas of the Mexican economy to adjust to the trauma of liberalization. President Salinas's radical reforms have brought new rules affecting production, the means financing process, technology and market attitudes illustrated by CEMEX, Mexico's biggest cement group.

As the best known Mexican company abroad, CEMEX employs no less than 3,067 people in Spain alone following the purchase last year of Sison and Valenciana de Cementos. In 1993, CEMEX, headed by Lorenzo Zambano Treviño, registered net sales of approximately three billion dollars. Zambano says that "apart from the United States, we have interests in Spain where we have invested 1.5 billion dollars. We have strengthened our position in the Caribbean through distribution networks set up in the Bahamas, Haiti, the Dominican Republic and Bermuda. CEMEX is going through major changes to adjust to the times. We have invested a lot of money in modernizing our plants, including 90 million dollars in anti-pollution measures."

Before the liberalization process began in 1989, productivity levels were very low, says Demitrio Garza Medina, chairman of ALFA. "Liberalization has meant a huge sacrifice for many Mexican companies," according to the ALFA chairman. ALFA grew rapidly in the 70s during the oil boom. During the subsequent world oil crisis from 1980 to 1988, ALFA embarked on an arduous restructuring process. "The compa-

ny, which owed 2.2 billion dollars and suffered from the peso weakness, could not survive," Garza explains, adding that ALFA has invested 1.5 billion dollars since 1991 to improve its facilities. "The group works with four independent companies, among them Hylabene and Sigma, leaders in the steel sector and business food respectively."

Founded ten years ago, Pulsar International is the number one group dealing in consumer goods and financial services. With a total workforce of 10,000 in Mexico, Pulsar has offices in the United States and Europe. For Pulsar's chairman Alfonso Romo, liberalization has given a boost to the Mexican economy as a whole even though we'll have to make sacrifices in some sectors such as textiles.

"Taking into account that 50 per cent of the population is under 20 years of age and 40 million Mexicans need work, we have to admit that President Salinas's reforms have prepared the ground for a better future," Romo says. "More jobs and a higher purchasing power lead to a rise in demand and economic activity." Financial services represent half of Pulsar's activity, industrial services the rest.

ASA, created in 1986, is one of Mexico's main producers of electronic equipment with a distribution network of 24 offices employing 12,000 people. The consortium's exports make up 10 per cent of sales.

ASA's CEO Eugenio Garza stresses "the importance of forming alliances with the world's leading companies that bring the latest technology, complement our prod-

ucts and have access to our distribution network." At any level, ASA gives a special emphasis to professional training.

SDER is a good example of how crucial foreign capital is to the development of the Mexican economy. Chairman of the group Jorge Martinez Guzman explains that "at the end of the 80s we launched capital debt programs. We work with the German financial institution Hannover Manufacturing Trust and bought several facilities from the State with funds from foreign banks such as the British bank Commercial Bank."

Quoted on the Wall Street stock exchange since last year, SDER is active in the hotel and steel industry, owns construction companies and builds marinas. Martinez Guzman

comments that "the Mexican economy affected us badly - more competition in the steel sector and tourism dropped. We kept on investing heavily because we knew this situation wouldn't last forever. Proof: after the group's results during the first two months of 1994 have been the best in recent years."

"What matters most is that Mexico cannot go backwards," according to Martinez Guzman who has his eye on the maritime industry and plans to buy a floating re-



Lorenzo Zambano Treviño, chief executive officer of CEMEX



Alfonso Romo Garza, chairman of PULSAR

pairing dock. While acknowledging Canadian presence in the Mexican economy remains scant, Mexican bosses express hopes that this situation will soon change.



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Mexico may be a fully-fledged member of NAFTA, the largest world market with 350 million consumers, but it has made it clear that Mexican energy - oil, gas, refineries, nuclear plants and electricity - will continue to be state-owned and controlled. However, Canadian and U.S. companies will be able to participate in energy-linked ventures by setting up special services and providing equipment and capital goods, explains Enxer and Mines Minister Emilio Lopez Tlaxiuan.

Q: How has Mexico's energy policy changed recently?

A: A new law was approved in December 1992 to allow private industry to participate in the production of electricity. For example, in March this year we gave the green light to a mixed project in which the central government, various regions and European companies will work together.

Q: To what extent will foreign companies be able to take part in your projects?

A: Some Spanish firms are already involved in not only the production of electricity but also in what we call extra-budgetary projects. Through PEMEX (the state oil company), we have established contacts with a number of Canadian firms about building gas pipelines. Canadian



■ Emilio Lopez Tlaxiuan, Enxer and Mines Minister

and U.S. involvement will be determined by NAFTA and will increase with time. Mexico has not at all given up its sovereignty when it comes to energy, and more concretely to oil.

During the past 20 years, direct foreign investment in the Mexican energy sector has risen by an average of 13 per cent a year, representing a total of 46.2 billion dollars as of August 1993. On a domestic level, the sector has gone through major changes involving 252 privatizations. The proceeds were used to pay off our foreign and domestic debt.

Q: What about relations with Canada?

A: More than 70 per cent of PEMEX's investment program goes to exploration and production, but we also focus on other areas, and in this context we are interested in Canadian technology. Canada is already active in the northern states of Sonora, Durango and Chihuahua. Also, PEMEX shares Canada's concern for the environment and has invested one billion dollars to produce a better, low-sulphur gasoline. We hope that some day gas and electricity can be brought from Canada. ■

Macroeconomic stability and growth



■ Jaime Serra Puche, Trade and Industry Minister

From day one, the Salinas administration set itself two major goals: macroeconomic stability and microeconomic efficiency to be able to compete abroad.

from other sectors. Today it's the opposite. Oil represents only 15 per cent of our total exports. This diversification has led to macroeconomic and financial stability. It has transformed the production structure and strengthened our export capability.

Q: In 1993 however, private consumption and investment dropped sharply. Some people blamed the slump on the uncertainty surrounding the ratification of NAFTA in the U.S., but could there be other reasons?

A: In 1993 growth slowed to around zero. The U.S. recession started to be felt in Mexico. Another reason is that even though inflation continued falling, our interest rates were very high and kept investors away. A number of projects were also stalled before the vote on NAFTA.

Q: Now that the economy has been cleaned up, what do you have in store for 1994-1995?

A: I think growth will reach 2.5 or 3 per cent for a number of reasons. The ratification of the treaty has restored consumer confidence, interest rates are falling, which should encourage investment, the tax benefits obtained in 1993 will be used to stimulate growth and balance the budget. We'll be able to spend more on welfare, infrastructure and investment. NAFTA and the U.S. recovery should also have a positive effect on our exports.

Q: As far as Canada is concerned, what joint projects do you have for the future and how can you best work together?

A: Canada and Mexico complement each other in the field of agriculture for the obvious reason of our differing climates. The Canadian farmer is good at growing cereals while his Mexican counterpart produces a great variety of fruit and vegetables. We expect that the increasing flow of trade deals and investment projects will increase. ■

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Desc is one of Mexico's leading chemical producers with a large domestic market share for its product lines.



FINANCIAL SECTOR

Desc owns 10 percent of Mexico's fifth largest financial group, Grupo Financiero Interamericano, to ensure active role in one of the fastest growing segments of the Mexican economy.





Quality and high profile

The car industry gives jobs to more than 450,000 Mexicans, makes up 25 per cent of manufacturing exports and 2.5 per cent of GDP.

■ **Eugenio Garza M.**, chief executive officer of AXA

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As everywhere else in the world, special attention has been given to the car industry in Mexico because it is huge and creates jobs, says Javier Ruiz Galindo, vice-chairman of the Society for Industrial Growth. With NAFTA, the United States is committed to lifting all duty on cars while tax on trucks will be cut from 25 to 10 per cent and eventually scrapped within five years. Duty on American cars sold in Mexico will be cut gradually from 10 per cent to 20 per cent over the next ten years. Duty on American trucks is due to be scrapped in five years.

The automobile industry was so critical to NAFTA that "three car producers joined in the negotiations," Ruiz Galindo says. Mexico, one of the world's main car exporters, "has so more than ten years to adjust to new market conditions, to become competitive and grow."

The Mexican group AXA, created in 1956, is active in the automobile sector in addition to other activities such as electricity, communications, capital goods and food. With a work force of 3,500, AXA's car division is the result of a merger with the Japanese group Yasuda in 1987 to produce cables used in the automobile sector. About 27 per cent of AXA's production is sold abroad, 80 per cent of it in the United States. AXA chief executive officer Eugenio Garza Herrera says "we are beginning to feel NAFTA's effects. Our company has set up a so-called top quality program, with help from the internationally-known Japanese Union of Scientists and Engineers to monitor the quality of our products."

Mexico's main advantage for the foreign investor is that labor is cheap and there is plenty of it. However, Ruiz Galindo says "we have to give workers a better deal." AXA's boss emphasizes the need for more education and training. "I think we're all working in that direction and economic growth will rise sharply over the next three years."

■ **Javier Ruiz Galindo**, vice-chairman of the Society for Industrial Growth



NAFTA brings new rules for Mexican industry

Following the example of other institutions, Mexico's Confederation of Chambers of Industry, CONCAMIN, is going through major changes to face up to the challenge of NAFTA. Modernizing its infrastructure, such as information, technology and industrial promotion is CONCAMIN's main objective. Founded 75 years ago, CONCAMIN represents 300,000 companies throughout the country making up 32 per cent of GDP and giving jobs to 25 per cent of Mexico's total work force. Despite the mammoth task ahead, its chairman Fernando Cortes Legarreta is optimistic about the future.

Q: How did last year's economic slump affect industry?

A: It was a difficult year. However we managed to reduce inflation to single digits. It was a hard pill to swallow, but we are

■ **"Before we couldn't plan more than 90 days. Now, with interest rates falling we think in terms of 20 years"**

encouraged by the results. We hope that in 1994 inflation will drop to 5 per cent and economic growth will rise to between 2.7 to 3 per cent of GDP.

Q: Interest rates for business are still very high. How can you cut them?

A: They depend on supply and demand. They are falling, which is good news for businessmen. If this goes on, we'll be able to compete on an international level and make long-term plans. Before, we couldn't think beyond 90 days. Now, we think in terms of 15 to 20 years.

Q: Financially speaking, things are looking up. But you are now faced with the Chiapas problem and rising social costs.

A: I don't agree that our sector has suffered as a result of Chiapas. On the contrary, foreign capital keeps coming. We are focusing our efforts on strengthening our position in the new markets that have emerged with NAFTA and other agreements with Latin America.

Q: What is going to happen to the "maquila" industry (assembly plant industry)?

A: It will eventually become a formal industry and come up with the finished product. Our priority for this industry and all the others is a change in attitudes, to be aware of industry's rules in the context of NAFTA. ■



■ **Fernando Cortes Legarreta**, chairman of CONCAMIN

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■ Francisco Bernal Sotelo, chairman of CANAMEX

New products, technology and competition

As a company producing chemical products for industry, Canamex is doing all it can to adjust to new market conditions and competition. The company chairman Francisco Bernal Sotelo says Canamex had "its boom years in the 70s when it controlled 40 to 50 per cent of the non-iron market." Since then, Canamex has had to cope with "new companies and competition," the chairman adds.

Founded in the 60s, Canamex is one of Mexico's main producers and exporters of chemicals used in a wide range of sectors—food, agriculture, cosmetics, paper, petroleums, sugar and textiles. Canamex is equipped with one of the best technical services in the country.

Mexico exports its chemical products mostly to South America—Brazil, Argentina, Uruguay, Chile, Peru, Ecuador and Colombia—and the United States. "We started exporting in 1983 mostly to Central and South America," the Canamex chairman says. "Right now we have excellent trade relations with these markets. In 1990 we started selling our products to the United States, which has become our main client despite fierce competition." Half of Canamex's production is sold abroad. The rest is for Mexican consumption.

All of the plant's products will eventually benefit from the lifting of trade barriers negotiated by NAFTA. However, Canamex will continue to pay duty on 90 per cent of its sales for the next ten years and on the remaining 10 per cent for at least five years. ■

Diversification could be the way to survive as Mexican plants struggle to compete in NAFTA

Investment and research

Since the coming into effect of NAFTA, Mexican companies have made all-out efforts to become competitive on the international scene. Says Edward H. Mulazz, chief executive officer of Celanese Mexicana, S.A., a company founded in the 40s and specializing in the production of synthetic fibers. The German group Hoechst owns 51 per cent of Celanese Mexicana. The rest belongs to Mexican shareholders.

Celanese Mexicana is Mexico's number one producer of polyester and the sole producer of cellulose acetate. "As the biggest company in the petrochemical sector, Celanese Mexicana does very well during the protectionist era," Mulazz explains. "We have invested over \$20 million dollars since 1991 in modernizing our plants, research and the elaboration of new products."

"40 per cent of Celanese's goods go to the United States, another 40 per cent to Latin America and the rest to Europe. "Petrochemical products such as acids, alcohols and solvents used to make up 75 per cent of Celanese's total production. We have since diversified our business. Petrochemical sales represent no more than 35 per cent of the total," Mulazz says. "We are now able to offer a wide range of products. Research and development are key factors at Celanese. One of the advantages of belonging to a major group such as Hoechst is that we can take advantage of progress and discoveries achieved in other areas or subsidiaries."

Like Celanese, Cydia was founded in the 40s. With a total work force of 12,000, Cydia specializes in synthetic fibers, petrochemical products, packaging and auto-

lation technology. According to vice-chairman and chief executive officer Tamas Gonzalez Sada, Cydia's plans for the future "are based not just on the petrochemical side but also on textiles." Gonzalez Sada adds that in 1992, we came up with an acrylic fiber similar to wool, which led to the creation of a sustainable industry with a total production of three million a year. We know that in the United States there is a demand for 280 million sweaters."

But liberalization has its drawbacks. "It's affecting all of us," Gonzalez Sada says. "The biggest problem comes from the lack of understanding between the government and industry about dumping. Companies might prefer to pay less for a product, but dumping leads to unemployment. It's collective suicide. Mexican industry cannot compete and send products to the United States. We are faced with the problem of delayed competition and we must promote the growth of national industry. We need technology and innovation because there is competition at home and abroad."

Apart from exporting textile fibers to 25 countries around the world, Cydia produces more than 12,000 tons of thermoplastic products a year and 35,000 tons of foam for mattresses. It is active in the field of waste and water treatment.

Mexican industrialists hope that NAFTA will lead to closer cooperation between Mexico and Canada. "Our two countries have always been in the shadow of the United States without knowing each other the way they should." NAFTA gives us the opportunity to make up for lost time," Celanese's boss says. ■



■ Edward H. Mulazz, CEO of Celanese Mexicana



■ Tamas Gonzalez Sada, vice-chairman of CYDIA

What Mexico needs most are jobs and investment

Economic growth will be achieved through tax, budget and financial reforms as well as liberalization.

Until recently, the foreign debt was crippling the Mexican economy. According to Economy and Finance Minister Pedro Aspe, things started to improve during the previous presidential mandate of Miguel de la Madrid.

"De la Madrid initiated the process of change in the field of public institutions. Salinas continued in the same direction but at a much faster pace with far-reaching consequences for the whole of the economic system," the minister explains.

"We used to spend too much and there was little money available for welfare and education," Aspe says. "Up until six years ago, 50 per cent of our budget would go to pay back interest on our foreign debt. Our welfare budget has since risen by 100 per cent." The renegotiation of the foreign debt was backed by groupings and institutions

such as the Group of Seven and the International Monetary Fund (IMF) as well as individual nations including the United States and Spain.

The privatization campaign launched by President Salinas is the main reason why Mexico's outlook for education and health has gone up from 25 to 54 per cent of the budget in recent years. "We sold 25 billion dollars worth of assets," Aspe says. "The profits were used to pay off our external debt. The sale of state companies to the private sector also enabled us to collect 40.3 per cent more in taxes in five years."

One of Mexico's most valuable commodities is its huge labor potential stemming from a mostly young population crying out for jobs. "From the executive's point of view," the Minister comments, "we can see that employment perspectives are very bright in some sectors, such as telecommunications. For instance, Telcel (Mexico's telecommunications company), with 42,000 employees, had to grow an annual 17 per cent in real time for a period of six years. Therefore, all redundant staff could be reabsorbed



■ Pedro Aspe, Economy and Finance Minister

by future growth. It's true however that jobs were cut on the steel sector.

One burning question remains to be answered against the background of economic reforms: how can a country like Mexico, with a poor population of 40 million stay on the road to progress?

For Pedro Aspe, the country needs two things. "First, keep inflation down. High inflation is the worst sort of tax. The poor end up paying for it because they can't protect themselves. Secondly, this country has to create jobs, and to do this we need investment, which in Mexico represents 22 per cent of GDP compared with 30 per cent in Asian countries. I think Mexico should aim at 25 per cent investment." According to the minister, banks and financial services are the best Mexico can offer the foreign investor. ■



■ Miguel Mancera Aguayo, Governor of the Central Bank

Bank of Mexico goes for caution

sists it has maintained a neutral monetary policy throughout the past few years of economic expansion. "Our policy has been guided by caution, allowing the normal growth of bank notes and coins and drawing liquidity from the system when necessary," says Central Bank governor Miguel Mancera Aguayo.

Q: Do the economic indicators justify optimism?

A: The current economic situation shows that public finances have been put in order. The public sector surplus has allowed us to pay off a good chunk of our debt.

Q: Was this surplus due to privatizations and the deregulation of the banking system?

A: No. This surplus came from the national monetary policy adopted by the Tre-

sury, which included a series of sterilizing measures and fine market operations such as government bond issues, and of course, controlling the growth of liquidity within the financial system.

Q: Given its early entry into NAFTA, how will the Mexican economy be affected by the clear recovery now underway in the United States?

A: Recoveries don't happen overnight. For example, our non-petroleum exports went up notably during the second half of 1992. They rose by 16 per cent in August of that year, 17.6 per cent in September, 21 per cent in October and 26 per cent in November.

Q: How do you see Mexico-Canadian relations developing?

A: Canada and Mexico have been partners in the financial field for years. Canadian banks opened their own branches here before NAFTA. Hopefully these ties will get stronger. ■



■ Roberto Alcántara Rojas, chairman of Banorte.



■ Jorge Lanquar, chairman of Confía.

Privatization: a unique opportunity for Mexican banks

Innovation and training are the key to success

There isn't a banker in Mexico who doesn't remember the badful year of 1982, when the State nationalized the banks in an attempt to solve the country's economic problems. Economic paralysis, devaluations, lack of stability, no money for private enterprise were just some of the dire consequences of the nationalization of the banking sector. "We had to wait until President Salinas took power for things to improve, and for money to be available to private companies," says Jorge Lanquar, chairman of Confía and the stockbrokers group Abasco. "For a whole decade, Mexican banks were unable to provide the most elementary ser-

vices," Lanquar adds. As the boss of a group with 188 branches scattered across the country and 5,580 employees, Lanquar is in favor of innovation. "We don't work with charts, nor do we care for rides. A bank manager should be able to turn his hand to anything, work at the till, give loans, help clients, in other words, know about all the aspects of his branch," Lanquar explains.

Roberto Alcántara Rojas, chairman of Banorte, compares the transformation of banking with that of the economy. "Deregulation freed interest rates on loans and savings. With the government no longer the main creditor, banks were able to main-

ten and focus their efforts on the productive sector. The Central Bank has played a major role in steering the national economy through the changes by adopting a rational monetary policy." With 73 branches at home and one abroad employing a total of 2,363 people, Banorte was privatized in 1991 and obtained government approval to become a financial group a year later. In August 1993, Banorte merged with Banor, which Alcántara describes as "a solid bank with close links with its clients." The Banorte chairman adds "9 complementary Bancores."

Mexico's financial sector follows two main patterns: mergers and expansion. Last year Confía took over 54 per cent of a Chicago-based stockbrokers company with seven offices outside the United States. At home, Banorte provides, as a group, a number of financial services under one umbrella. "As a bank," the Banorte chairman says, "we have focused our efforts on services aimed at small companies. They represent a market slice with the potential to become the very foundation of the Mexican economy." The Spanish banking system has been an inspiration for Alcántara. "We identify with Spanish banks in terms of efficiency and competitiveness. Mexican and Spanish banking have a lot in common."

For Banorte's chairman, Canada's presence gives a certain balance to NAFTA. "We have a lot to learn from Canada's highly-developed banking system. I think both countries have a lot to gain from cooperation." In Mexico, training is high on a banker's list of priorities. The chairman of Confía, which has its own training center, says "we have room for 70 pupils and our courses last four weeks." Lanquar adds "our innovative spirit has led to the creation of a company training 24 students. We will need years to adjust and each institution follows the pattern it judges best."

Liberalization is irreversible

According to the vice-chairman of Banco Unión, Joaquín Alcala, Mexico, President Salinas's mandate will be remembered for bringing solutions and radically transforming the country's macroeconomic panorama.

The vice-chairman says that "no matter who wins the elections, the opening-up process is irreversible. If we raise salaries we won't be able to keep inflation under control."

Q: The government sold banks for much more than it had paid for them. How have banks coped with the cost of privatization?

A: The government offers a product and the buyer sets the price. The product will

improve of 1995. Mergers are complicated because everybody always thinks their organization to be special. We have contacted some Canadian institutions with a view to working together in the field of corporate banking. Our policy consists of looking for partners with real market experience.

Q: What do you think about Canada's banking style?

A: The Mexican banking market is similar to the Canadian structure: we are both looking for positions on a national level. And, like our Canadian counterparts, we can intervene in any corner of Mexican territory. This means we share the same outlook in terms of growth and adaptation. I think we have a lot to learn from Canadian technology. ■



■ Joaquín Alcala Méndez, vice-chairman of Banco Unión.

go to the highest bidder who should have the means to run the business. In Mexico, a country with sharp differences in economic levels, the bankey has an image of power. Few bidders actually had the means to purchase a bank. Plus, the government wanted to spread investments to avoid concentration.

Q: Could you tell us about Banco Unión's particular case?

At only 20 per cent of the bank's capital was sold to businessmen outside the stock market sector. Among them was a group of businessmen from the southeast. It's very far down there and people tend to be passive. There were plenty of businessmen ideal to promote some of their ideas. Right now we are studying the possibility of merging with other institutions, such as Crea, which should help us control 5 per cent of the total market by the be-

In favor of all-out competition

The deregulation of the banking system originated by the Salinas administration has unleashed a new phenomenon in Mexico: competitiveness. Chairman of Banorte, Roberto González Barrera is all in favor. "We have all become more aggressive because not only do we have to cope with competition from existing banks, but also from new entities and foreign banks. The Central Bank is also under pressure from abroad, which puts us under pressure as well and forces us to reduce margins and be more competitive." For the Mexican government, the modernization of the economy will not be completed until banks compete for the loans market. The chairman of Banorte comments that this new scenario, much



■ Roberto González Barrera, chairman of Banorte.

tougher as a result of the high levels of competition, represents "a way to speed up development." For González Barrera, the 20 new banks have to fight against existing banks for their own market share. "Time and experience account for a lot in banking." A Banorte market study showed that the main in the street associated to the question "would you change banks?" People tend to stick to the same bank," González Barrera says. Banorte, a local bank, aims to operate on a national level. "This year, we hope to grow by 36 per cent," says the Banorte chairman. "We are looking for an American partner, because we operate on the U.S. border. We'd like to use the U.S. as a winning card in Canada. It's been a surprise for me to see how easy it is to get along with Canadians." ■



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Banks, bolsa boom and candidates

■ TWELVE FOREIGN BANKS

With the deregulation of the economy, twelve foreign banks have opened offices in Mexico and the government has given the green light for the creation of 20 new local institutions. Some banks are offering new services such as pension funds.

■ STOCK EXCHANGE BOOM

In an unprecedented move, the Mexican stock market soared to 1,300 points in June 1991 and closed the 2,300 point barrier by the end of the year. It has become the second largest stock market in Latin America.

■ NEW MARKETS

One of the keys to President Salinas's reforms is diversification. While putting the finishing touches to NAFTA, Mexico was negotiating another trade agreement with Colombia and Venezuela known as the Group of Three. The new treaty, which has to be approved by the Mexican Senate, recognizes a market of 400 billion dollars and 150 million consumers. Apart from trade, the Group of Three covers a series of agreements on energy, telecommunications, tourism, transport, culture, the environment and financial cooperation.

■ A CONTRASTING ECONOMY

The northern city of Monterrey is Mexico's industrial capital when the most powerful holdings have their headquarters. With coffee plantations as its main activity, the South, including the state of Chiapas, is rural and poor.

■ MEXICO IN FIGURES

In 1991, Mexico had a population of 65.4 million inhabitants - more than half of them under 18. Infant mortality was 35 per 1,000, in 1989 11.9 per cent, unemployment 7.6 per cent and 13 per cent of the population could neither read nor write. The average per capita income: 3,470 dollars. The foreign debt: 124 billion dollars.

Mini loans for mini companies



■ Roberto Dierges Armas, chairman of BNCI.

With 140 branches scattered around the country, the Banco Nacional de Comercio Interior (BNCI) - National Internal Trade Bank - helps small companies improve their infrastructure.

cional de Comercio Exterior (National Foreign Trade Bank). We needed a counter-part to deal with purely domestic operations. The great advantage in this case is that there is no limit to the size of operations in which we may get involved, although most of our loans go to small companies. BNCI also participates in financing infrastructure on terms of ten to 15 years. Let me tell you, for example, that in Mexico refrigeration is often still not available for perishable products. Part of our task consists in providing this essential facility in transport, packaging etc.

The State may be doing as best it can to help small business, but many think it's not enough. According to a poll carried out by the National Chamber of Commerce in Mexico City last year, opinions were divided on expectations for 1991. 44.4 per cent of the capital's small businessmen said they hoped it would be a good year, 43.8 per cent thought it would be average and 11.8 per cent feared it would be difficult. All sectors of the economy, including small business, suffered from last year's slump. The businessmen polled by the Chamber of Commerce, many of them stockholders, were on the front line: demand was down, they say, and, logically, so were sales and earnings. They blamed the economic crisis, the lack of liquidity, the drop in purchasing power and the recession. Even though interest rates continued to fall, only 5.8 per cent of the capital's small businessmen said their banks for loans in 1991.

Q: What are your plans for the future?
A: With liberalization a series of large, new companies specialising in engineering and offering a great variety of good quality and reasonably-priced products are cropping up in medium-sized cities. To this we'd have to add modern facilities not available in traditional shops such as parking, air conditioning, trolleys etc. Liberalization will bring fierce competition. We cannot allow a big store to be surrounded by small businesses. As a development bank, our role is

to solve problems of this kind. There may be little point in keeping small stores if an increasing number of consumers prefer to use shopping malls. Our job is to advise and help the small stores adapt to the new market conditions so as to keep them in business. We have to act quickly because liberalization moves so fast that some businesses will stop being competitive before we have a chance to come to the rescue. The state banks are making moves though the local

■
Depending on the type of investment, BNCI may provide up to 70 to 80 per cent of the funds needed by the small businessman.

chambers of commerce to help small business look for alternatives to ensure it does not disappear. We have to be cautious. The State, the institutions and the people must act in unison. Nobody can remain passive. We need communication and training. ■

■ BNCI branch in Tepic, Jalisco.



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Mexico: new ideas for new tourists

Mexico wants more tourists. Apart from building new seaside resorts, the government is promoting holidays for nature lovers and culture buffs.

Ask anyone anywhere what Mexico means to them and chances are they will evoke mariachis singing love songs, golden beaches, chili peppers that burn you dizzy and colors as bright as the sun. In the fifties, the sophisticated resort of Acapulco, now with more than 84 hotels of all categories, was a favorite destination for honeymooners. Cancun, with 107 hotels, came later. With an ideal climate 365 days a year, long beaches and a plethora of hotels, Acapulco and Cancun—crystal lizards Mexico's dream of large-scale tourism. New resorts started cropping up such as Tijuana, Huasteco, Looeto and Los Cabos. But Mexico's efforts don't stop here. The authorities want to attract a new tourist keen on history, culture and the environment.

ACTIVE TOURISM. "We would like to attract tourists to Mexico," Tourism Minister Jesús Silva-Herzog says. "Some regions of Mexico are rich in wild game. We feel that it could be an alternative which, provided it is well set up and managed, could represent a valuable income for regions that have suffered from competition in agriculture and where the land has been abandoned."

Sailing, cruises and a whole range of activities known as ecotourism—observing, enjoying and protecting nature—are also on Mexico's list for the new tourist. "This kind of tourism is essential to all the people who, like us, are surrounded with steel and concrete all year round," Silva-Herzog says.

CULTURAL TRIPS. Mexico is firmly committed to offer more than sunshine, beaches and a tan. The authorities know that among potential visitors from Europe, South and North America, there is an educated public looking for art and culture. Mexico is crisscrossed with invaluable archaeological treasures which can be seen by following the so-called Maya Route. And if that's not enough, you could visit the picturesque colonial towns, taste the spicy food and buy some handicrafts.

FOREIGN CURRENCY AND JOBS.

Tourism represents Mexico's second biggest

source of income after petroleum—a total of some four billion dollars gross. "But the most important thing for us is that tourism will soon create more jobs than any other sector of our economy," the tourism minister says. "And this is crucial for a country such as Mexico with a high birth rate."

Every new hotel room means the creation, directly or indirectly, of three to four jobs, with the added advantage that tourism does not, as in other sectors, lead to job destruction.

TAKING CARE OF DETAILS. To make sure all tourists, whether foreign or Mexican, are well looked after, the authorities have launched the so-called "90" campaign. Visitors are asked to fill in questionnaires relating to the quality and hygiene of food and drinks in restaurants as well as in hotels. The establishments with most points are awarded. Another point worthy of mention is that casinos are banned not just in tourist resorts but throughout the country in general. "Gambling could lead to unpleasant conversations for a country that is a thoroughfare for international trade," explains Silva-Herzog. But don't ask Mexico to give up the traditional cock fight, one of the highlights of local fiestas. ■



Jesús Silva-Herzog, Tourism Minister

Tourism must be a priority

In the mid sixties, Mexico became aware of the importance of tourism and its economic potential. Cancun was born—a resort almost surrounded by the sea with a current population of about 150,000 people.

"Tourism creates jobs and brings in foreign currency," Silva-Herzog explains. "It is an important source of income for the State. We also know that international tourism is changing. We now have to think of alternatives for a new kind of tourist interested in our prehispanic and colonial culture. An average of 6.5 million people visit Mexico each year, but our potential is huge. Mexico remains a poor country which needs to improve its infrastructure," Silva-Herzog adds.

Tourism is not playing the role it should in the Mexican economy due to a lack of promotion, a focus based exclusively on beach and sun, communications problems and the need to invest and to come up with new leisure activities.

"Our aim is to make tourism a national priority recognized by all government areas, by the service industry and society as a whole," the tourism minister says. "This is what France, Spain, Italy and Greece have done. They realized that tourism was a great source of economic activity." So far, Mexico has opted for large scale, Cancun-like projects. Fine scale projects are currently under construction.

"Foreign investors who want to put their money in Mexican tourism will have a very time," Silva-Herzog explains. "Right now, there are projects underway to set up cruises with 100% foreign capital. We have a huge coastline stretching more than 6,250 miles."



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Tourism: A short-term goal

It may be hard to believe, but Mexico, with thousands of miles of coastline, archeological and architectural treasures and an ideal climate, receives less than seven million tourists a year. "I don't know if it's good or bad," says Alvaro Lopez Castro, chairman of the Camino Real hotel chain. "It is true that we are careful with tourism and its consequences for the environment. Let's look at figures. Mexico has the same number of tourists and spends the same amount of money on advertising as the Spanish Canary Islands. It's absurd. This is why the group of businessmen I hired bought the Camino Real chain last year. We are convinced that during the next presidential mandate tourism will become Mexico's number one source of income with the advantage that it is a constantly renewable source—unlike oil, a non-renewable commodity. We believe that in a few years the tourist sector will overtake the oil sector in terms of revenue."

And the opportunities to develop tourism are endless. Mexico's territory is three times as big as Texas and its climate goes from humid tropical heat to the aridity of the desert.

The currency, which had in the past been at the mercy of an unstable economy, stabilized following the fall of inflation and the NAFTA treaty. One American dollar is worth about just over three new pesos.

Mexico, a country of contrasts with no real consensus seems to have the idea of the tourist reassembled: Mexican optimism and patience, as well as the inability to say "no" are part of the local ways. Rich north versus poor south, bread-taking coasts, colonial jewels, spicy food—guacamole, chiles, tortillas and the music are a cocktail of wonderful contrasts the foreign visitor or the businessman can never forget. ■

Camino Real's boss says tourism is a major source of trade.

A man with a vision

Chairman of the number one hotel group in Mexico, Alvaro Lopez Castro belongs to this third generation of Mexican hotel bosses who think that Mexico's sunbath has been sold out and the time has come now to offer its culture. And the Camino Real chairman, a man with his own peculiar vision of life, knows what he is talking about. On a territory covering close to 1.25 million square miles divided into 31 states and a federal district—Mexico City—19 different Indian languages are spoken in addition to the official language, Spanish. Foreign visitors will be struck by the cultural diversity and the natural beauty of Mexico encapsulated in the famous song "Mexico Lindo" (Pretty Mexico).

Q: What is the importance of tourism in Mexico's current economic situation?

A: Tourism has never been a priority in this country. It has ground ground despite all the obstacles it has found on its path. Not very long ago, I was speaking to officials of the PRI (ruling party) presidential campaign about the need to give tourism a higher profile in this country.

A: Was President Salinas right to go ahead with privatization?

Q: His policy has been outstanding. President Salinas got rid of tobacco in Mexico and took the country from a third world state to the big leagues of the first world. But we are not really first world. Tourism helps to put Mexico on the same level as developed countries. Nobody can disagree with the

"Canada is a rich and beautiful country. I've learned a lot from Canadians about things like the environment, honesty and the love of life."

fact that tourism is a major source of trade.

Q: What can be done to boost tourism?

A: We are waiting for the country's leaders to make tourism a national priority. Everybody, the customs official, the taxi driver, the street sweeper, knows that their standard of living will improve as soon as tourism

becomes a main source of income.

Q: What are the areas that most need investment from home and abroad?

A: The state of Chiapas is where the future is and we're going to invest over there. We have to think subcomandante Marcos (leader of the so-called Zapatista guerrillas)

for all the publicity he has given Chiapas around the world. When peace returns to the area, we should invite him to join us as a business partner.

In the United States they killed all the Indians. So now please don't panic just because we are sitting down in the negotiating table! Here in Mexico we are peaceful. And in terms of natural parks, Chiapas has more to offer than

North America. I apologize to our Canadian friends. What is going to happen? We have to build hotels down there so that people can get to know the area and the Indian way of life. The time has come to sell culture, history, tradi-

tion. All the businessmen who are keen to invest in Chiapas are environment-conscious.

Q: In your view, what are the main achievements of the last five years in the tourism sector in terms of infrastructure, marketing, investment etc.?

A: The most important thing is that people around the world should have faith in Mexico. Credibility means we can grow, invest, be creative. I would say this is the government's main achievement. The rest is up to businessmen. We live in a liberal society, which means that the government does not interfere with business but is firmly committed to the welfare of its people.

Lopez Castro's Camino Real chain, a name evoking Royal Palms and dating back to Spanish rule, was bought in July 1993 for \$15 million dollars. It was the biggest hotel operation in the world last year.

Q: What is Camino Real's strategy in terms of diversification and penetration of new markets?

A: Our purchase of Camino Real was based on our faith in Mexico and its future. We then realized that the company had a lot of problems. We have given Camino Real a whole new image and we are about to turn it into the best chain Mexico has ever had. In a year and a half from now we'll register an 86 per cent increase and we'll have 30 facilities by the end of the 1993 financial year. We would like Canada to know about Camino Real and launch



Alvaro Lopez Castro, chairman of Camino Real Hotels

joint ventures with Canadian investors. Our idea is to expand in all directions, South, Central and North America. We want form alliances with international chains.

Q: Could you give us figures about the tourists who came to Mexico, according to their nationality?

A: In the United States and Canada make up 85 per cent of our tourists. 10 per cent come from Europe and 5 per cent from the rest of the world.

Q: You have spent two years in Canada. What struck you most?

A: We moved to Canada because our children had to learn English. It's a beautiful country, educated, wealthy. I'll never forget the fruit stands with the money, the scale, the calculator and a sign saying "Be honest." This is what we have to learn from Canada: honesty, apart from the love of life and the environment. ■



Disproportioned Integral

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#1

Beer



Mexico goes for the megaproject

Some 20 years ago Cancun was a village of no more than 250 inhabitants on the Yucatan peninsula. Then came FONATUR, Mexico's state-run tourism authority. Today, Cancun's golden beaches are lined with 107 hotels, totaling 17,980 rooms, and its population has swelled to 250,000, not counting the 1.3 million tourists who visit each year.

Cancun is just one example of Mexico's megaprojects. FONATUR's boss, Mario Itamón Beteta, says that tourism, together with the "maquiladora" (assembly plant) industry, is Mexico's second biggest source of foreign currency. Beteta, who was the head of the state oil company PEMEX from 1982 to 1987, adds that a total of 6.8 million people visited Mexico last year.

Q: 67 per cent of your tourists come from the U.S. and 7 per cent from Canada. Shouldn't Mexico seek diversification?

A: We have got to advertise more. In Canada, Europe and Asia. There is a great potential in Japan. A new megaproject, built according to Japanese specifications, will be inaugurated in Cancun in October. Q: The Mexican stock exchange is the second most active market in the world. How can you cash in on this income to improve tourism infrastructure while maintaining the ecological balance?

A: Tourism needs stable investment. FONATUR has launched an advertising campaign in various U.S. states close to the border to encourage them to invest in Mexico.

Q: Will NAFTA change Mexico's tourism policy?

A: The treaty does not cover tourism. But more and more businessmen from the U.S. and Canada are coming to Mexico and pass the message about us when they get home.

■ **Talim, Quintana Roo.**

Apart from Cancun, FONATUR has built resorts in baton, on the Pacific coast 335 miles from the capital, Los Cabos. In Baja California, with more than 100 rooms and water sport facilities, Los Cabos, also in Baja California, and Huatulco with its spectacular bays, south of Acapulco.



■ **Mario Itamón Beteta, Managing Director of Fonatur.**

Q: Of all the projects currently under way, which is the most important?

A: We are very busy in Huatulco. Its attraction is that the jungle literally plunges into the sea. But we want to promote other assets as well: colonial towns, prehistoric sites, mountains.

Q: Do you have any project in common with Canada?

A: Not right now. We have Mexican and U.S. partners, as well joint projects with Italians and Germans. We are partners with the French "Club Méditerranée." Obviously, diversification is one of our aims but so far most of our partners come from the United States. As for Canada, two things need to be done: 1) encourage investors and 2) attract visitors. FONATUR owns land up and down the country. We provide advice to potential investors, we sell land or offer it to limited companies as part of the capital. The duration of the partnership is determined in advance in agreement with the investors concerned. Our message to the Canadian people is come to Mexico, get to know us and forget all the preconceived ideas because this country has great potential. ■



Better services to make up for a stable currency

The welcome that never ends is the slogan you will read in hotels belonging to the Mexican hotel chain Krystal in Ixtapa, Cancun, Puerto Vallarta and Mexico City. Krystal vice-chairman and manager líder de la Para Vargas says that NAFTA has helped stabilize the Mexican peso. "In the past we relied on the weakness of the peso to attract foreign tourists. Now we have to be more competitive and offer better services to make up for a more stable currency."

Q: Mexico is about to leave behind a long period of economic protectionism. What has the public sector done to improve infrastructure and promote tourism in general?

A: The authorities were fully aware of



■ **Adolfo de la Parra Vargas, vice-chairman of Krystal Hotels.**

the importance of tourism in terms of capital investment. Now, apart from investment, we need help. In the new context of NAFTA, tourism should become a valuable source of foreign currency. Tourism is a key sector representing close to 7 per cent of GDP and 15 per cent of the total work force.

Q: What do you think about the so-called megaprojects?

A: The government must keep an eye on local authorities to make sure these projects are handled by people with experience in the hotel field. We must work on improving existing megaprojects rather than building new ones. Apart from improving access by building roads and airports, the

government has to provide decent housing for hotel staff to ensure social stability. Take Ixtapa, for example. We need promotion abroad and better communications. We could say the same about Cancun.

Q: Where do your tourists come from?

A: American and Canadian tourists make up 60 and 15 per cent of the total respectively. The number of visitors from South and Central America is rising. In any case, we need to readjust our fares to make sure internal flights do not cost more than international flights. ■

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PEOPLE

Radical departure

It may not be Shakespeare, but Shannon Tweed's new screen project, an adventure-filler called *No Guts, No Glory*, is two departures for the beautiful, 34-year-old actress. In the movie, which completed filming in Toronto recently, Tweed plays a martial-arts star leading a gang of terrorists who have taken over a beauty contest. "I finally got to use some of my kickboxing training," says the Los Angeles-based former Playboy model, who has been studying the sport for the past two years. As well, the movie is not her physical prowess, rather than her physical attributes, which figured prominently in such B-movie efforts as *No Doubt*, *The House and the Lover* and *It's Clearly Just as Well* for Tweed. Movie scenes



Tweed putting her kickboxing training to use

"get a little fired after a while," she says. "The problem is, reality has been done to death," she adds, "especially when you have Shannon Stone showing everything. Biceps are biceps." Indeed.

Sweet victory

After Brazil's shock victory over Italy in the July 17 World Cup finale in Los Angeles, the South Americans returned to their familiar soccer territory last week—and to their fans. During the Brazilian squad's one-day, three-city celebration tour, more than one million fans turned up to cheer their idols, led by scoring phenomenon Romário, who is dubbed "the little saint." But the Brazilian brought home more than their country's fourth World Cup championship. While in the United States, they purchased dozens of TVs, refrigerators, stereos and washing machines to take advantage of lower



Romário refrigerators, TVs and a little

prices. At Rio de Janeiro airport, the items were divided subject to duty, leaving the champions with a bill that would have totaled \$1.4 million. President Collor Francisco gave word, ordering that duties be waived. But that knocked off a storm of protest, including the resignation of Osiris Lopes Filho, head of Brazil's Federal Tax Agency. Finally, the Brazilian government reversed Romário's decision and ordered that all 17 teams of the soccer squad's luggage be inspected and taxed. To the victors go the spoils—at a price.

Rolling with the Stones

Like the rest of Toronto, The Jeff Healey Band hardly knew what hit them when The Rolling Stones, after weeks of rehearsal at Crescent School, a private boys' school in the north end of the city, performed last Tuesday at a downtown club. For Healey, a phase call came to an end, when the Toronto-born blues-rock guitarist opened the show. "Our guitars packed and ready to go to Europe, so we had to sort of scrounge around," says Healey, whose band kicked off a two-week European gig last week. At the Toronto show, the Stones invited Healey onstage for a raucous encore of *I Got a Red Hot Love*. And here was trading riffs with Keith Richards: "Well, I don't know if it was trading riffs," Healey laughs. "We were trying to do something—whatever we could or couldn't hear up there with everybody going at it." You can't always get what you want.



Jagger left, Healey: 'going at it'

An act worthy of gold

Freestyle skier Jean-Luc Brossard, who won gold at the Lillehammer Olympics, added medals to his résumé last week when he and his sister, Anne-Marie, won a 19-year-old boy's life. The Brossard family home near Valleyfield, Quebec sits on a waterfall where Patrick Patoiseau was appar-

ently surfing on a makeshift board. But the boy slipped, got tangled in a rope and was pinned underwater. Notified by a bystander, Jean-Luc and Anne-Marie raced to the scene. As Anne-Marie tried to unbuckle the rope, Jean-Luc struggled to hold Patoiseau above water. But the current was too strong. "And my arms aren't

the strongest part of my body," Jean-Luc recalls. Despite this, he skated to his parents to get a knife. The Brossard siblings held the boy up while another bystander cut him loose. Patoiseau spent the night in hospital before being released. But Jean-Luc Brossard downplayed his feat. "It's not heroic at all," he insists. "Other people drown, do this twice or three times a day. It's not a deal."

Brossard: 'not heroic at all'



COTT IN A BIND

Despite strong growth, Cott faces market skeptics

As chairman and chief executive officer of Cott Corp., Gerald Pencor has taken much of the heat for the dramatic drop in the soft-drink company's share price this year. There have been sharp critics in the financial community of his \$19.4-million total pay package for 1993, persistent questions about Cott's aggressive corporate accounting practices, and growing speculation about the very future of Cott's privileged brands in the face of increasing competition from multinationals Coca-Cola and PepsiCo. Before the company's annual meeting in Toronto last week, Pencor apparently took heed of the old adage: the last defense is a good offense. The path opened with a slick 15-minute video that is divided a segment from a CBC television talk show on which American actress and well-publicized coke user, Carrie Fisher, chose a Cott product as a blind tastest. Pencor also had another diversion on hand—former Leblanc Co. Ltd. marketing head David Nichol. After months of tension, Pencor finally confirmed that Nichol and Cott will become partners in a new company to develop retail food brands. Then, Pencor tackled a range of controversial issues head-on, including his view on why Cott is embroiled in so much controversy. "My success is tied to the world's most valuable brand and there is no success without it," he explained.

Inside the meeting room, Pencor's strategy appeared to walk-a-tightrope. Only the shareholders in the audience of 600 posed a few, rarely answered questions. Indeed, many in the crowd seemed far more intent on dining in the sides of the auditorium as soon as the meeting was over to scoop up free samples of Cott products including Lakeland Bannock. (Cott brews Murphy's potato chips and pop in such various incarnations as Soft's Choice for Wal-Mart of Bentonville, Ark., Classic Coke for Safeway Inc. of Boston, and Classic Softies for supermarket chain IGA-Canada Co. Ltd. of Iqaluit.) But outside the annual meeting, Pencor's arguments had little impact. The company's stock price, which opened the week at \$48, continued to slide, closing at \$29.86. It has now fallen 66 per cent since it hit a high of \$49.50 last October. And at the end of the week, the company announced that it will buy back about 10 per cent of its outstanding shares, a tactic commonly used by corporate managers to prop up sagging stocks. Still, industry analysts still criticized Pencor again for spending company cash on an overpriced stock. "Our recom-



munication is a sell," says Jacques Rivest, a veteran cost-savings products analyst with Leicestershire Securities Group Inc. of Montreal. "We believe the price will linger around \$15—it will be dead money for a while."

But Pencor and his team have already demonstrated that they will not take their hands lying down. In May, the company filed a libel suit against Michael Pencor, president of Equity Research Associates Inc. of Toronto, and an analyst who has been bullish on Cott's stock for a long time. The suit, filed in an Ontario court, seeks \$14 million in damages. "I can't talk because they are suing me," Pencor told *Money*. "My lawyer told me not to talk." However, Michael Pencor, Cott vice-chairman and chief operating officer, explained that the company launched the suit because Pencor accused a competing report on Cott with-

out doing adequate research. "We felt that this is a professional who clearly had done due diligence," Latta added.

Pencor has lashed out at Cott's critics in other forums as well. The company's glossy 54-page annual report for the year that ended Jan. 31, for instance, devote a page to the media, claiming the company has received more than 100 hours of negative coverage. "Several who wrote about us did their homework, understood our company and reported fairly," Pencor writes in the report. "Some, in our opinion, did not."

Pencor, however, reserves his harshest language—and most of the blame—for short sellers. They are the speculators who deal in stocks that they believe are going to fall. They sell borrowed stock in the hope that they will be able to profit by buying it back later at a lower price. Pencor joked at the annual meeting that he will write a book about the ones who sold out of Cott stock. Despite that joke, he made it clear that he sees that short sellers as the main critics behind Cott's plunging stock price. "It short sellers understand anything," he said.

"They understand the use of information, and the fact that there are huge amounts of money to be made by using that information."

But one analyst, who asked to be named, said that Pencor's "about the commoner" approach to both the media and the short sellers is misguided. "Some people have been saying negative things all along about Cott, but the share price only started to drop when the company itself lowered its earnings estimates," the analyst said. "They have dropped from \$1.25 a share (in fiscal 1989) to 50 cents a share."

For Pencor, the fight against market forces is not an easy experience. In the 1970s, the Montreal-based entrepreneur moved to Calgary, where he founded Financial Trusts Capital Ltd. By the mid-1980s, the company was based in Toronto and a rapidly rising star in the financial services sector. Its U.S. broker and banker was Drexel Burnham Lambert Inc., the New York City firm that pioneered and created the market for junk bonds (corporate securities that rate below investment grade). When the stock market crashed in October, 1987, Financial Trusts was perilously overextended and it began to unravel. In 1988, it was forced to sell its general advisory business, Financial Trust Co., in a bailout that required \$44 million in federal and provincial loans and guarantees.

At Cott, Pencor faces scrutiny and tough competition from rivals such as Coca-Cola, PepsiCo and other soft-drink makers. In 1993, he was forced to sell its general advisory business, Financial Trust Co., in a bailout that required \$44 million in federal and provincial loans and guarantees.

At Cott, Pencor faces scrutiny and tough competition from rivals such as Coca-Cola, PepsiCo and other soft-drink makers. In 1993, he was forced to sell its general advisory business, Financial Trust Co., in a bailout that required \$44 million in federal and provincial loans and guarantees.

which it calls "prepaid contract costs"—as an asset, which can be amortized over the life of the contract. This means that only a small portion falls into the expense column each year, resulting in higher reported profits, especially in the early years of the contract. Cott's critics argue that this is a highly unusual practice and that the payments should instead be treated as an expense. This would result in smaller reported profits, they say, but a more accurate picture of the company's health.

Cott officials argue that their accounting methods are entirely appropriate. Latta told *Money* that Cott is one of the few consumer product companies to have three to five-year contracts with its suppliers. "We receive the benefits over the life of the contract, so it is appropriate that we write the costs all over the life of the contract," he explained. Still, Cott was so strong by the previous end of the year that it is keeping that it created some. "We are a university of Chicago accounting professor, to review them." In his report to the company in May, he wrote that its accounting practices fully comply with Generally Accepted Accounting Principles—the profession's guidelines—in both Canada and the United States. "Moreover," Wood con-

cluded, "they are appropriate to the nature of the company's business and consistent with a policy of conservative and timely disclosure."

Indeed, Cott's recent poor performance on the stock market seems to be sharply at odds with its accomplishments in the marketplace. After the closure of Financial Trusts in 1989, Pencor moved to Cott, a regional soft-drink bottler in Montreal owned by his father Harry Pencor. Over five years, he turned the company into a \$300-million business from a loss of \$500,000 from a loss of \$500,000 from a loss of \$500,000. Cott produced products are now available in seven countries and in more than 35,000 retail outlets. Many of these customers have impressive credit ratings as well. Wal-Mart is the world's largest retailer, while Safeway and IGA are the second-largest food retailers in each of the respective markets.

Pencor admits that it will be difficult to sustain such a rapid rate of growth, but he predicts more of \$1 billion by the year 2000. And plans are in place, he says, that should help the company continue to flourish. Among these are the establishment of the soft-drinked partnership with Nichol, who played a key role in developing and marketing private-label products, including the Privateer's Choice and Softies made by Cott. The new venture will look for other direct sales categories in which Cott might succeed with soft drinks.

Introducing new products could turn out to be an important issue, especially in light of the fact that Coca-Cola and Pepsi are unlikely to ignore Cott's success in other markets. Indeed, just last week in an annual survey of the world's most valuable brand names, *Financial World* ranked Coca-Cola first with a brand value of \$44 billion. And in Canada, on Cott's home turf, Coca is moving aggressively to maintain its supremacy. A case of 34 cans of Coke, which two years ago sold for about \$7.96, now sells in many stores for \$8.99. Such increases have cut Cott's retail price advantage over Coke to about \$1 from 88. As a result, says IGA, International Suppliers Ltd., a Toronto-based retail brand trading company, some brands have slipped to 34 per cent of the Canadian market share. Coca-Cola's new pricing strategy since February. If Cott's stock is going to maintain its price, Pencor will have to contend not only with competitors but the Red Thing as well.

BARBARA WICKINGS



Pencor's (below) stepped pressure from Coca-Cola, Pepsi, and other soft-drink makers has spurred Cott to consider a portfolio shift with Nichol to expand beyond soft drinks.



A crop of changes

The Saskatchewan Wheat Pool plans to go public

The secure grain landscape of Saskatchewan tells much of the tale. Across the province, over 500 grain elevators are owned by the Saskatchewan Wheat Pool dramatically purchase the flat terrain, a testament to the dominant role that the 90,000-member co-operative has played in provincial agriculture for 70 years. The Pool was formed in 1934 to give individual farmers more control over their economic destiny in a sector that was increasingly influenced by massive multinational grain companies. It has grown into Canada's largest farmer-owned co-operative with sales of about \$8 billion a year. But that powerful presence also means that the recent decision by the Pool to transform itself into a public company, with shares trading on the Toronto Stock Exchange, has provoked a vigorous debate about the evolving role of the wheat pool in Saskatchewan agriculture.

Although 68 per cent of the pool's 137 delegates sanctioned the move at a special meeting in mid-July, the decision to go pub-

lic did not come easily. It followed months of often raucous internal discussion among the co-operative's members, many of whom believe that the pool is helping not only its history, but also farmers themselves. Last week, those who oppose the share offering were weighing their options and contemplating a legal challenge to the pool's decision. "It's fairly clear that after this the pool will be a co-operative in name only," says Doug Fuller, a farmer from Souris, 50 km north of Regina. Like many opposed to the share offering, Fuller argues that since the pool opens its doors to outside investors, it will be no different from such grain-handling conglomerates as Canfield Ltd and Pioneer Grain, both of Winnipeg, which do not give farmers a voice in their operations.

Still, the imperative to compete in a rapidly changing and increasingly deregulated global agriculture market from the pool's life, chance but to adapt to new conditions. In the next three years, pool officials estimate, the co-operative will need as much as \$500 million to invest in efficient, high-volume grain-handling

facilities. "We must adapt to the 6th national world we operate in if we are to remain competitive," pool president Jerry Larsen told *Business Week*.

"The pressure to compete is mounted by a host of new developments resulting from trade liberalization in global agriculture under the General Agreement on Tariffs and Trade (GATT), to fiscal pressures that are forcing federal and provincial governments to slash their subsidies. Under the GATT rules, agreed upon last December, even the \$500-million annual grain transportation subsidy from Ottawa to prairie farmers, known as the "Orrin benefit," is set to expire, since it could be deemed an "import subsidy," and thus unacceptable under GATT rules.

The impact of these pressures is already apparent in Saskatchewan's landscape. Over the past 12 years, as the grain handling system has contracted due to better efficiencies, the number of Saskatchewan Wheat Pool elevators has dwindled to 563 from 1,158. As well with diminishing government support, prairie farmers are rapidly directly buying into wheat, corn and soybean crops. Last year, which was decided by 10 per cent in Saskatchewan, and, just that, the market value of 6.65 million acres of canola, a crop used to make cooking oil, is expected to ex-



Grain elevators in Moose, Sask.: raising capital to compete more effectively

ceed the more than 11 million acres planted in wheat. Such specialty crops as peas, lentils and barley are also becoming.

Within Saskatchewan, the pool's consistent adherence has historically been matched by its political clout. But those who oppose the share offering argue that farmers will lose

control of the pool when outside investors are allowed to buy freely.

Sensitive to such concerns, the pool's plan calls for the issue of voting and one-vote shares. Before it can proceed with this plan, it must get the Saskatchewan Wheat Act of 1928 amended, a process expected to

begin this fall. Till then, only those farmers who are pool members will be able to hold Class A voting shares, and only the Class B non-voting shares will trade on the stock exchange. Says Larsen "All we are changing is the way we finance the operation. The control will stay with the membership, who own the Class A shares."

The plan is to convert \$285 million in existing members' equity to the co-operative into Class B shares, which members can then hold or turn into cash. In the future, a new investor of Class B shares will be made to investors on the stock exchange. Initially, the benefit to the pool will be that it will not face the cost of paying out as much equity financially to farmers when they return. With an aging farm population, the pool has faced ever-increasing financial demands as older farmers leave the land and cash in their pool equity, worth about \$200 million.

In some respects, the Pool is following the lead of Winnipeg-based United Grain Growers (UGG), a grain cooperative that completed a share issue last year. UGG president Ted Allen says that within the past year, UGG raised \$32 million in shares and warrants convertible to shares. "We've had evolutionary changes in farming before, but now they are revolutionary," says Allen. Similarly, drastic change is now entering province on the Saskatchewan Wheat Pool debate.

DAVID ESKINER is in Regina

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Business NOTES

Bay Street nuptials

It was an end and a beginning. Last week, two Bay Street brokerage firms, **Norfolk** and **Burns Fry Ltd.**, announced that they are attempting to form the largest securities dealer in Canada. The complex cash and stock swap deal is worth an estimated \$400 million. The new firm, **Norfolk Burns**, will be owned by the Bank of Montreal, which bought **Norfolk** in 1987. But the deal also marks the end of an era of consolidation that began when **Ontario** and the province started deregulating the financial services sector in 1986. Since then, almost all of the major brokerage firms on Bay Street have been swallowed by large banks.



MacNaughton, Stock merger

In **Quebec's** case, **Bank America Corp.** of San Francisco filed a 50-per-cent stake in the company, with the remainder owned by the three employees. But the U.S. bank will share little operational interest in its operation. However, both **Norfolk** chairman **John MacNaughton** and **Burns Fry** chairman **John MacNaughton** said that the merged firm has its sights set on new markets south of the border. "The merger will sharply accelerate our

ability to expand our U.S. strength in research, institutional equity operations, fixed income and other investment banking activities," said **Stock MacNaughton** said. **Burns Fry** employees that any brokerage needs shareholders' equity "in the billions of dollars" to compete in a global bazaar. "Increasingly, the changes demanded to remain competitive will be beyond our capacity to respond," he added.

Both **Norfolk** and **Burns Fry** clearly subscribe to the "bigger is better" philosophy that now dominates the Canadian financial services sector. And two days after the merger announcement, **Midland Wahey Inc.**, the last major independent firm left on Bay Street, announced that it has formed a marketing alliance with the **Laurel Bank of Canada**. However, there is no money or stock involved in the agreement. **Midland Wahey** president **Paul Wallace** said: "There is now a clear alternative. People can deal with a bank or **Midland Wahey**." But by teaming up with a bank, even **Midland** is acknowledging that, in the brokerage business, size is important.

ALLEN OUT

The chairman and chief executive of **Leo Minerals Ltd.**, **Peter Allen**, resigned from the company. Allen said that he quit "to remove personalities as a factor in the takeover fight with **Royal Oak**." **Royal Oak Minerals Ltd.** launched a hostile, \$2-billion takeover bid for **Leo** in July 7. Analysts and major shareholders have been vocal in their criticism of **Leo** management since the takeover bid was announced. James **Pittblado**, a director, was elected chairman and interim chief executive.

IMPORTANT REPORTS

Canada exported more goods than it imported in May, creating the first merchandise trade deficit since November, 1981. **Statistics Canada** reported that exports jumped to a record high \$17 billion while imports fell by \$488 million in May, to \$16.5 billion, resulting in a trade deficit of \$24 million. The deficit was mainly the result of a \$1-billion rise in exports of machinery and equipment, automotive parts, and natural goods. Increased demand for these goods is regarded as a sign of a strong domestic economy.

TALKING IT OVER

Swedish Regional Airlines and the union representing its 280 striking pilots met with a federal mediator to try to resume contract negotiations that broke off on July 10. The pilots, who have been without a contract for more than a year, want a 20-per-cent wage increase over two years.

DIAMONDS IN THE ROUGH

South African-based **De Beers Consolidated Mines Ltd.**, the world's largest diamond conglomerate, has signed a deal with two firms handling for diamonds in Canada. The agreement, which could be worth as much as \$500 million, gives **De Beers** the right to develop a diamond discovery in the Northwest Territories that is now controlled equity by **Tasque Resources Ltd.** and **MRI City Ltd.** Mining rights in the agreement are split between **De Beers** to buy \$1 million worth of stock in the two companies.

AN APPEALING PLAN

A Calgary court approved **Tosco Corp.**'s financial restructuring plan, clearing the way for creditors to receive some of their investment in the troubled real estate company. **Junior creditors**, however, who are owed \$200 million, launched an appeal of the plan seeking a larger payout. **Horseshoe Corp.**, of Toronto and **U.S. based Argo Partnership** plan to invest more than \$80 million in **Tosco** for up to 40-per-cent interest in the company.

THE NATION'S BUSINESS



Why business will flee a separate Quebec

BY PETER C. NEWMAN

Now that Quebec is preparing to elect another separatist government, the usual pattern of official pan-Canadian planners is to work assuming the best and the worst. It really doesn't matter, then, whether it will change very much, but everybody should take a pause and reflect. They should also think about the fact that Quebec—and Canada—survived intact the nine years of **René Lévesque's** reign from 1976, and that **Jacques Parizeau**, who considers it a last day when he hasn't put his last in his mouth at least once, isn't nearly as scary in his character as he appears to be.

The goodly two-thirds separating this group at this time are wrong on every count. First off, **Lévesque** was charming all night, and having been a part of it most of his life, knew how to manipulate the media to soften his message. But in terms of his economic impact on Quebec, he caused much pain and an unprecedented exodus of businesses from the province. It was directly as a result of **Lévesque's** obsession with Quebec independence, obviously expressed in his 1980 referendum on "sovereignty-association," that the **Rockwell** and the **Bank of Montreal** began to move their head office functions to Toronto. This was equally true for most of the 90 of Canada's 500 largest companies that maintained their head offices in Montreal at the time of **Lévesque's** 1976 victory. As for the **Rockwell** and the **Bank of Montreal**, they gave the city, these firms directly employed 225,000 people in the province.

The company executives included such names as **Bedford Park**, **San Lab**, **Malheur**, **Royal Trust**, **Truac**, and **Northern Telecom**. On top of these corporate refugees, as listed in 148,660 **Anglo-Quebecers**, left the province in the wake of the Parti **Quebecois** victory. **Lévesque** was not entirely ungrateful to business—his finance minister, a good old chap named **Jacques Parizeau**, introduced the **Quebec Stock Savings Plan**,

If the PQ wins this election, the economic exodus will decimate what is left of Montreal's corporate command structure

which was a model for its day. The same minister also showed his wonderful streak by successfully firing the **Toronto-based** investment banker **A. E. Aron** and switched to long-winded Quebec **Hydro** bond issuing account to **Lévesque's** **Banque Inc.** of Montreal.

This time around, if the Parti **Quebecois** wins as expected, the exodus will be much more dramatic. Companies who've left of Montreal's list will improve corporate command structure. Such parts of Canadian industry as **Bell Canada Enterprises**, **Alcan**, **Seagrave**, **Boonville**, and even **Pan** **Decca's** **Power Corp.** will have little choice about moving out of Quebec. Their decisions will not be based on any general opposition their CEOs might have about the nature of Quebec becoming independent. If it appears likely that **Parizeau** might succeed in his quest to split up Canada, responsible company executives will be all but forced to vote for moving head offices and corporate headquarters to a new Quebec locale.

Instead of being based on overseas, their decisions will flow from the hard world of corporate Canada. We live in a treaty world, and in terms of Canadian companies with

large foreign revenues, no treaties are more important than those that prevent offshore earnings from being taxed both at home and abroad. Profit can in fact be optimized to Canada without being subject to some country's punitive withholding taxes—provided they are earned in countries that have respected bilateral tax treaties with Canada. Treaty countries generally charge a 30- or 35-per-cent withholding tax, while non-treaty nations charge exorbitant levels of up to 50 per cent. That's a huge difference, and all of the **Montreal-based** firms listed above plan among others even significant portions of their profits overseas in Canada.

A separate Quebec would no longer be part of Canada's tax treaty network and even in the unlikely event that **OTAs** allowed Quebec to participate in Canadian offshore tax arrangements, each of the more than 30 trading partners affected would also have to agree. For that matter, a similar tax treaty would have to be negotiated between Canada and Quebec, which would take months and effort because both sides would drag into the talks such tricky subjects as division of the national debt and other outstanding issues between the two jurisdictions.

The tax situation will cause offices that otherwise don't want to leave Quebec to have to move their operations into Canadian provinces," says **Stuart**, a prominent **Toronto** tax expert. "It's not that simple, as coming on business overseas would become prohibitively expensive. When you're going from paying taxes of about 30 per cent, reasonable by treaty, to unworkable levels of 25 to 40 per cent, it becomes a tax company's duty to itself and its shareholders in fact. At the same time, nonresident multinationals doing business in the new republic of Quebec will have a financial motive not to have any major operations based there, because without treaties their favorable tax treatment could disappear."

There could be one political gain for **Daniel Johnson** to make in his campaign. But he is held back by the fact that he is forced to decide the party and sometimes doesn't consider the record of the government by **Robert Bourassa**. The Liberals are in a weakened state. The 195-constitution is now rising in ratings where **MTM** **Alcan** has refused to stand for re-election. Having retreated from his original intention of running on a platform of reviving the economy, **Johnson** has boxed himself in by declaring that the election's result will be because Quebec's future will be decided. The election has thus been turned into a referendum by the candidate who has the most to lose from that scenario. As a result of **Johnson's** bungling, **Parizeau** can now claim that a majority vote for the PQ would grant him the authority to pursue sovereignty by force if he so chooses. He is using the power of the premier's office.

That's precisely what he intends to do. But corporate Quebec will not be there to hear his message.

Off the rails

Pierre Berton called it the National Dream—a rail line stretching from the Atlantic to the Pacific. But the **Canadian Pacific Ltd.** and the **Crowns-owned** **Canadian National Railway Co.**, maintaining competing rail operations east of **Winnipeg**, has proved to be a financial nightmare in recent years. In total, CP and CN have lost \$2 billion on those operations since 1980. In February, the two railways entered into formal talks aimed at merging their east-end Canadian operations. Last week, CP landed the best on CN by taking over its rail's eastern operations although to a price to be set later, rather than a new merged company taking over **Burns Fry**, the chairman of CP **Raymond**, claimed that that approach would allow "more choice for shippers than

the current proposal of a jointly owned railway."

But CN president **Paul Teller** balked at that proposal, and said that the two sides have broken off the merger talks. Although it is ultimately up to **Ontario** to decide on CP's offer, **Teller** said that "Canadian taxpayers can't afford to underwrite a sale to CP shareholders." In fact, CP already has plans to sell or shut down all of its operations east of **Winnipeg**, **Quebec**, by next January. Still, companies that also go along with rail to restore Canada's weakened rail culture of negotiations. "It is a good new era," said **Martin**, **Berton**, president of the **Canadian Industrial Transportation League**, which has about 430 member companies that use the railways. "After being told for months that we were to either split or a new merged company was going there are other options." But regardless of which side prevails, it will appear that only one carrier will remain in eastern Canada.

PAPER TIGER

Canadian Conrad Black is testing his mettle in a bitter British newspaper battle

BY BRUCE WALLACE
in London

The Garrick Club to 193 years old, which is not old at all by the standards of London's private clubs. It was founded as a place for actors to meet and dine, actors not being considered gentlemen in Victorian England, and it remains devoted to that mission to this respect: its membership is drawn largely from the arts community, and its doors remain open to any actor—only. So a small dining room at the Garrick seemed an appropriate place for the returned publisher Harold Thoma to hold court one day last month on the eve of his former boss, Rupert Murdoch.

The Australian-born Murdoch is the world's pre-eminent media baron, whose empire stretches from newspapers to movie production and satellite television. But he is a bookworm—and a voracious reader—for publishing tabloid papers that mix stories about sex with stories about vice. Enos worked for Murdoch at *The Times* of London, but quit in 1992 after one year and one collision too many with his boss. Murdoch, he now says, is a liar and a double-crosser who tried to flog the nearly 200-year-old *Times* down market to the level of what Enos likes to refer to as his "borderline of papers."

Only one of the 11 other London media executives lunching around the long, tapestry-draped table at the Garrick Club spoke in Murdoch's defense: Conrad Black, publisher of *The Daily Telegraph*, London's largest, quality newspaper, and a past baron of considerable left himself. Rupert says price is the only newspaper's best friend. But for a brilliant businessman who has been good for the British newspaper industry, Black's defense was remarkable given that the very next day he would lead *The Telegraph* PLC, the public company that owns the newspaper, into the kind of acerbic battle that circled the war with Murdoch that Britain had not seen since the buy day of the 1930s press lords. Last year, Murdoch audaciously slashed the cover price of *The Times* from 45 pence (94 cents) to 30 pence. For 18 months, Black held the *Telegraph's* price at

45 pence, content to fight for readers with promotional gifts such as riding boots, watching the price cut and doing deeper damage to his profits. But when *Telegraph* PLC executives planned him in Toronto during a business trip in early June to tell him that the previous month's circulation figures were particularly bad, Black had to act. The *Times* daily circulation had climbed to 525,375 from 366,688, at a time when the *Telegraph's* own numbers were slipping below one million a day, a level they had not gone under since 1948.

When Black finally slashed the *Telegraph's* price to 30 pence on June 22, the fallout was ugly. First, that the price war would vaporize newspaper profits caused *Telegraph* PLC shares to fall by more than a third on the London Stock Exchange the next day. That left the company's investors—some of whom had bought \$153 million worth of *Telegraph* company stock from Black's own company, Hollinger Inc., just three weeks before—fuming especially heated. City of London authorities accused Black of a cynical ruse, saying that there was no evidence that he planned to cut the *Telegraph's* price when he sold the shares. But many investors remained nervous. *Conroy & Co.*, one of the

City of London's most venerable firms, resigned as *The Telegraph* PLC broker on June 30. And some investors muttered that it would be a long time before Black would be able to come back to the London exchange to raise money.

Meanwhile, Murdoch kept up the pressure on Black by buying another 50 percent of *The Times* paper. His "buy

out," as he had twice publicly done a year earlier during a meeting with Australian investors, was the *Telegraph*. Leave the *Telegraph* to me, Murdoch told Sir David English, whose company publishes the rival *Daily Mail*. "I'll put them out of business for you." With the London newspaper industry in the midst of what Black called "Darwinian chaos," Murdoch appeared a second front in Australia: he purchased a small stake in John Fairfax Holdings Ltd., that country's second-largest chain of newspapers, which is controlled by Black and his allies. Murdoch's intention, said Daniel Colony, the senior executive in Black's

"When you get right down to it, Murdoch thinks the average person is a slob"



Black with wife Barbara Asch, a power couple in the "complicated social structure" of London

Australian and British empires, was simply to "unite and destabilise us."

Black was more blunt: "Robert is opening his reflexes, he is trying to kill us," Black told his interviewer. In Australia, Murdoch's column published stories suggesting that the Telegraph would lose money this year, and questioning Halliwell's solvency. Black's Sunday Telegraph responded with a story about Murdoch brooding "Falling star?" speculating on how his Asian satellite television network, Star TV, was gobbling up hundreds of thousands of dollars in starting costs. Both sides were having fun. "There will be blood on the carpet," warned Telegraph editor Max Hastings. "She behaves like a Scotch Robert," saided Paul Johnston, writing in the pages of the Black-owned magazine *The Spectator*.

It must be understood, the larvae said, that none of this should be taken personally.

"I yield to few people in my respect for Murdoch," says Conrad Black, sitting in his dimly lit fifth-floor office in London's Canary Wharf on a sunny July afternoon. "Indeed, up to a point, he is a friend of mine. He invited us [Black and his wife, Barbara Amiel, a Maclean's columnist who also writes a weekly column for Murdoch's Sunday Times] to his daughter's wedding. And we are reasonably friendly with his family. I've always been a defender of his, unlike most people you encounter in this business."

Black continues: "That he's a heavy guy. He's a cynic. When you get right down to it, Murdoch thinks the average person is a idiot, with his belly full of beer, sitting alone in front of a paragonistic movie on television, and if you get long things done for enough he'll beg it. It never sits very easily with Robert to run a quality product. And by making all these ridiculous, irrelevant remarks about putting us out of business, he has offended a lot of people, and made it possible for us to seem like a great killer just by saying alive and building our position."

It is three weeks into his battle with the world's most brazen and predatory media baron and Black says he doesn't know why everyone thinks his position is so awful. New advertisers are knocking on his door. Sure, the City investors are upset, but they'll come around. Black has been making the rounds, seeing them all privately, and he says that the investors are coming back. They really think about the effect the press war will have on the Telegraph's corporate bottom line. Although the cut will cost the paper an estimated \$40 million in revenues this year, Black says that other savings can line the loss in profits to \$25 million. Meanwhile, he estimates that, by cutting *The Times* price to 20 pence, Murdoch will set to lose \$65 million this year. "It's that as an investor you do this razzamazz," Black asks. "By traditional standards, it is madhouse economics we are dealing with here."

But the conventional wisdom in business circles from London to Sydney still revolves around the concept of "lean pockets," and Murdoch's most people believe he is deeper. The theory is that Murdoch's News Corp. International, far wealthier than Black's Halliwell, is able to subsidize a long price war during which time *The Times* can challenge the Telegraph's dominance. Black isn't buying it: "It is kind of bunk," he calls the scenario. The current circulation battle is costing Murdoch a much greater sum, says Black, that he can put up with. "But even if his pockets are going to have to be well below his arse."

Indeed, none of the terms does or has been been



TALE OF THE TAPES: BLACK VERSUS MURDOCH

THE MAIN HOLDINGS

CONRAD BLACK

HOLLINGER INC.

1993 Revenue: \$673 million

Profit: \$25 million



400 newspapers worldwide, including *The Daily Telegraph* (58.5%), and *The Sunday Telegraph* (46.2%) of London; *The Financial Post* of Toronto (39.5%); *The Jerusalem Post* (19.5%); *The Chicago Sun Times* (20.5%); *La Soleil* of Quebec City (100%); *Southern Star* of Toronto (18.7%); publisher of 17 dailies including *The Vancouver Sun*, the *Calgary Herald* and *The Gazette of Montreal*; and *John Fairfax Holdings Ltd.* (28%), Australia's largest quality chain with seven dailies, 42 non-dailies and 25 magazines.

30 magazines in Britain, Australia and Canada, including *Sunday Night* of Toronto (58%).

RUPERT MURDOCH

NEWS CORP. LTD.

1993 Revenue: \$10 billion

Profit: \$754 million

126 newspapers in Australia, Asia, the United States and Britain, including *The New York Post* and, in London, *The Sun*, *The News of the World*, *The Times* and *The Sunday Times*.

Fox Inc., the U.S. TV network and entertainment giant (Monied... with Children, The Simpsons, Beverly Hills 90210, America's Most Wanted and the blockbuster movie *Home Alone*).

HathorVision Ltd. (63.6%), parent and supplier of programs to Hong Kong-based Star TV (64%), a multi-channel satellite service that beams news, sports and its music video channel with 35 countries.

British Sky Broadcasting Ltd., a satellite TV broadcaster seen in 33 countries (100%).

Deafblind Services Inc., the 62nd-largest on-line home computer service in the United States.

HarperCollins Publishing of New York City.

Black-controlled John Fairfax Holdings Ltd. (1.7%).

Black's Murdoch (periodically) in a fight with the world's most brazen and predatory media baron

'It is madhouse economics we are dealing with here'

Black's privilege and power, so carefully cultivated over the last decade. When he arrived in London in 1986 to take control of *The Daily Telegraph*, he was a little-known colonial who was greeted with great suspicion. The first profiles in British papers, many written by *Condor*, were scathing. And the Telegraph's outgoing owners, the Berry family of Wales, which had owned the paper since 1877, had tried desperately to find someone, anyone, else to sell the paper to. But Black's stewardship of the Telegraph proved wildly successful. He quickly restored the paper to profitability. He worked hard to al-

tertain and their reputation has been severely damaged in the eyes of the City," says Richard Poyton, investment director at Foundation Group PLC, a small but important Telegraph shareholder. "He has proved all the establishment on the way," says Helen Williams of Paul Mill Ltd., who has done several North American deals with Black. The hardest blow may have been Casagrande's resignation as the Telegraph's broker, a decision that Black insists was mutual. Casagrande is the bluest of blue-blooded firms, and dropping the Telegraph PLC—the first such act in "recent memory," company officials said—was a serious blow to the company's reputation. A Casagrande of first told Black that the company had it had to fix the "honorable thing," but Telegraph company executives were outraged. "Casagrande's behavior was extremely disappointing," says Telegraph vice-chairman Colonel "Whisper" Charles. "What a character into him, you don't want him for the long run."

Meanwhile, Murdoch's exacting nature—or what Black calls "his own special curm and hostilities"—argues that Black displayed a glaring lack of business judgment in failing to switch the *Times* price cut right away. "Black has already made the crucial error in this war," said one senior Murdoch executive who did not want to be named. "In the history of newspapers, all the great proprietors never let the price go under their feet. They resisted right away." Indeed, the *Wall Street Journal* in the successful price war launched in 1920 by the *Daily Telegraph* itself, when it cut its price in half they too were to a penny. Circulation nearly doubled in six weeks, sending the *Telegraph* on its way to becoming Britain's largest daily.

Imagine ascending Conrad Black, who prides himself on a backbone, of not knowing his history. Black allows only a "maybe" when pressed on whether he should have matched the *Times* price cut immediately. "If you speak of military history—and Black knows his—"it is always useful to get your opponent to commit to such measures as he can before you have to face him in a head-on assault yourself," he says. He said the time to enter none of Halliwell's debt. And by delaying the price cut for 16 months, he says, the *Telegraph* PLC is richer and better served for battle.

"Last night at no time for complacency," says Black. "We are dealing with a formidable adversary. Rupert is a bold man. He is like—and I make this comparison in no sense and no sense only—the early Hitler, always waiting a week or a year before he always thought his opponents were weaker than he was. He was always waiting to meet the threat when it came. But he's not yet. What something doesn't work, he abandons it and tries something else."

"Murdoch is not stupid, you know."

By circumstance and tradition, the publisher of *The Daily Telegraph* is a powerful player in British Conservative circles. Years ago, the paper was virtually the party organ. Now, an island of right-



'It never sits very easily with Rupert to run a quality product'

ly investors' focus that he was just another in a long line of headstrong, risk-taking media tycoons, and convinced them to let him take the Telegraph public. He then used the newspaper's cash to rebuild Halliwell's holdings into one of the world's great newspaper empires. Although the recent price war may have altered the equation, Halliwell's stake in the Telegraph was recently responsible for almost 75 percent of its earnings. Since the late 1980s, Halliwell has acquired the daily *Jerusalem Post*, 29 per cent of *Southern Star*, in Canada and a controlling 25-per cent stake in Fairfax. Last April, Black bought the Chicago *Sun Times* for \$196 million, adding it to Halliwell's American publishing group of otherwise small dailies and two weeklies. In all, Black publishes 400 daily and weekly papers, reaching nearly five million readers a day. All the while, he broadened the reach of his London social and business circles as he built the publisher of the most powerful *Tabloid* newspaper in Britain. On the face of things, Black was even able to publish an autobiography just before his not-to-be-honored bid to lift in *Pravda*.

The rest of the last decade here has been a tale that says: The ground would be the battle in the Telegraph's stock value as soon as Halliwell sold 12.5 million of its shares. Many investors did their best to keep the company. "The credibility of the management is somewhat

wing papers, well-respected desktop news and lifestyle sports coverage is still the paper most loved by core Tory voters: the class of middle managers on their conservative vote. London. Black abstained from the power that comes with the status of Telegraph publisher, and he remains it with clear joy.

"I look back over the numerous problems I have known, it is only Beaverbrook with whom he compares," then-Tory Defence Minister Alan Clark wrote. Delicately in his diary after first meeting

Black in 1996. The comparison to Lord Beaverbrook—New Beaverbrook's Max Aiken, who rose to become a powerful British publisher and adviser to prime ministers in the first half of the century—is given as a compliment, as doubt because both are Canadian but both men also enjoyed owning their papers for social and political clout as much as for profit. "I ran the paper purely for the purpose of raising propaganda," Beaverbrook told the 1968 Royal Commission on the Press. Beaverbrook insisted that he controlled the content of his papers by hiring editors who agreed with him. And if they disagreed on an issue? "I talked them out of it," said Beaverbrook.

Black, devoted to profits and alarmed at suggestions that he is a meddling proprietor, would probably cringe at some of the comparisons to Beaverbrook. (For one thing, when asked to name his favorite songs as a gift on the venerable British radio program *Queen's Island Discs*, Black listed *Londonderry Air* by American gospel singer Paul Robeson. Robeson was one of the people on Beaverbrook's blacklist of names that could never appear in his papers.) Black is still more likely to write a letter to his own paper when he disagrees

COVER

with something it has published, a practice that his London book editor Ian Town says "the British public find repulsive."

But he is not above sending orders to editors. This year, he insisted upon and corrected the writer for a positive profile of South African Zulu Leader Mangosuthu Buthe. Black has long supported Buthe for his neo-Conservative position, although the Zulu leader was widely perceived in the West as an obstacle to the country's peaceful transition to majority rule. (The story did not completely satisfy Buthe, who wrote to Black, thinking him just pointing out some "errors" in the piece.) But Black is mostly content to hire editors who share his conservative views and then leave them alone.

Still, Black grew concerned this year that the Telegraph's editorial pages had lost their sharp conservative focus. The same day that he cut the Telegraph's price, deputy editor Timor Grove, perceived by the Thatcherite wing of the Tory party as too "left," was fired and replaced with Simon Heffer, an uncompromising right winger. *Barclays Times* had been screaming for Grove's head since the late 1980s ("I'm not Conservative enough for them because I will vote Tory only once at elections, not three times," Grove said in an interview, but, in the past, Black and respected Telegraph editor Max Hastings had protected him).

Black says first he told Hastings to correct the paper's editorial drift, and then it was Hastings who sacked Grove. But some Telegraph employees suspected that Grove's firing was the work of the invisible hand of Aiken, who gives no ground on her conservative views. "Things started to go sour after he married Barbara," said one



Commuters in London newspaper price cuts are gobbling profits

former Telegraph employee. "We suddenly started to get phone calls in the middle of the night from Black, explaining that there was too much political correctness in the paper."

Black's eyes narrow when asked whether Aiken stirs his bad side of the Telegraph. "I was aware that there was a myth that he had floated around—though I thought it had died by now—that my wife was encouraging some Metropolitan influence on my relations with other," he says. "I can never see more of that to be sure." He is not about to let Aiken be cast as his John Doe.

But parts of English society revel in repeating stories—true or exaggerated—about Black and Aiken, the wealthy colonialists house in London. They tell of a time when Black and Aiken walked in 50 empty seats in the second row at a Sir George Solti concert so that they would be positioned directly behind the Royal Family. Or of a time that a long-winded Black berated then Prime Minister Margaret Thatcher at a 16 Downing Street reception on the balcony behind trapping the color, while she eagerly repeated, "I know, Conrad."

"The key to any large city with a complicated social structure is not to get too involved with any one group or else you get accused of with a disproportionate amount of power," says Black with a sigh. But Black is far more comfortable in London society than Markish. "Black has a strong connection with the English and has been only accepted," says respected journalist Hugo Young, who is also chair man of the Sock Trust, which funds *The Guardian* newspaper "Marshall dresses and detests the English. He has an image of England as a tired, old aristocracy."

Black and Aiken drift between social sets, from cultural leaders like Sir David Frost, to financial businessmen, to the Royal Family. It was the discreet support of the Queen and the Queen Mother, after some caping by Black, that cleared the way for the striking Canada War Memorial to be erected in Green Park, across from Buckingham Palace. Government bureaucrats had opposed placing the granite memorial in the one million Canadians who fought for

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Britain in two world wars is one of the royal parks in the centre of London.) The couple are particularly close friends with a crowd of what might be termed respectable right-wingers, which includes wealthy businessmen like James Goldsmith, a leading crusader against European union. "I don't agree with most of what Goldsmith says on that subject, I'm a free trader," admits Black, although he worries that closer European union will bring the continent's socialist tendencies to Britain. "Some of Jimmy's ideas are damn brilliant but they are not for real."

Still, Amiel hosted a much discussed party at London's Ritz Hotel when Goldsmith was elected to the European Parliament in May. Goldsmith's approach to dismantling the European federation is the same as Lester Bouchard's (evils/desires from within.) The party's guest list was an impressive array of London's elite, including Princess Diana. "Black and Amiel have a high social cachet," says a breathless Mrs. Lewis, social editor of the glossy *Tatler* magazine. "Amiel makes him more known. She's glamorous and bright. Before they married, he was just a clumsy newspaper proprietor."

Lewis adds: "They are power and glamour. They are not perceived of as Canadians at all."

It is hard not to get the impression that life in Britain has lost some of its sparkle for Conrad Black. Even before the price war blew up, he was despondent on the American end of his business. The *Daily Telegraph* may still be Hollinger's flagship, but the American publishing arm is now more profitable than the British side, he says. Perhaps it is the spectre of a Labour government that is scaring him on the United Kingdom. "The United States is a more commercially and politically reliable country than Britain," he says. "I like it here in London and I've never been here, but I am not one of those people who insists to become English."

It diminishes the risk of the last two months with a worry and a cloud of acknowledgment that he has endured water in his business career. "If I have to, I'll take the *Telegraph* private again over the state sector and I can be certain that there won't be a public relations problem," he says. But Murdoch has thrown a twist into Black's careful plan. The *Telegraph*, his brother, the spiritual head of his empire in order attack by a man who, in Black's assessment, "knows the high wire. It is a roller coaster."

Then he brightens as he starts to run through his options, listing the many weapons still available to him. "We would have to be supercautiously smart to lose that," Black finally concludes. The Times, he argues, must be 10 pence cheaper in order to steal readers from the *Telegraph*. "Which," he says with a wink as he waters a visitor past the oil paintings of royal battles on his office walls to the outer door. "I could drop my price to 10 pence tomorrow and then we'd really war. Bigger." He chuckles at the thought, and is still smiling as he turns and shuffles back down the hall towards his office. □

THE ROOT OF AN EMPIRE

The spectacle of Conrad Black taking on the likes of Rupert Murdoch in a globalized newspaper war may seem outrageous, but at about \$870 million, the revenues of Black's Vancouver-based Hollinger Inc. pale beside Murdoch's News Corp. Ltd. at \$20 billion. But the Canadian-born Black, 49, has a long history of accomplishing the unexpected. From a single moneymaking paper that he and a friend bought in the mid-1960s, Black has created an international empire of newspapers with daily circulation of almost five million.

In his most spectacular acquisition, Black paid \$75 million in 1985 for a controlling interest in London's bestselling *Daily Telegraph*. He hired new editors, cut tough deals with unions and slashed costs. The now-bankrupt *Telegraph* rebounded, and was, until recently, responsible for almost 15 per cent of Hollinger's revenues. Black has been on a buying binge ever since. In 1986, Hollinger—which is run by president and long-time Black friend David Radler—bought the American Publishing Company, a string of small U.S. papers. In Canada, it added *Scotiabank Night* magazine in 1987. The next year, Black took a 15-per-cent interest in the Toronto-based daily *The Financial Post*, later upping it to 29.9 per cent.

Between 1991 and 1993, Black's *The Telegraph* put its grand control of Australia's second-largest newspaper group, John Fairfax Holdings Ltd. Then, in 1992, Hollinger bought a 22.5-per-cent interest in Toronto-based Southern Inc., Canada's largest newspaper chain. A financing arrangement with Paul Desmarais's Power Corp. of Canada later reduced that stake to 18.7 per cent, but established Black as part of the most powerful alliance on the Southern board. Last March, he bought the Glasgow *Evening Times*, a daily market leader in the United States by circulation.

Although it was only formed in 1986, Hollinger's costs are steep. It gave out the remnants of Toronto *Evening Star* and *McGraw-Hill's* *Apex* Corp., which held extensive interests in farm machinery, supermarkets and natural resources. Shortly after McGraw-Hill's death in 1978, the 30-year-old Black used \$25 million of his own—and his brother Monty's—inheritance to gain control of *Apex*, with assets then valued at about \$4 billion. Black gradually sold most of the *Apex* properties, and Canadian assets are now just a small part of Hollinger's business.

But Black's fascination with newspapers goes even further back. He and two friends began investing in small Canadian newspapers in the 1960s. They cut costs to the bone and began rolling along healthily instead. "We said to ourselves: 'God, where's this been seen at our lives,'" Black once remarked to *Madison's* columnist Peter C. Newman. Despite the twists and turns of his career, Conrad Black, it seems, is just where he has wanted to be all along.

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ZURICH
CANADA

Celestial suicide

The crash of a comet prompts cosmic questions

BY CARL MOHLINS

In orbit around the Earth last week, 25 probes alert humans first stepped on the moon, seven astronauts aboard the U.S. shuttle Columbia spaced the first human reproduction in space of vertebrate life, and the collision of a comet with Mars. These are part of a study to see if long-

Space Telescope Science Institute in nearby Baltimore, Levy and Carolyn Shoemaker were eager to tell how the closing events unfolded.

Belief, some astronomers predicted a comet strike. Even those convinced of the comet's power cautioned that, because the hit zone wasn't Jupiter's far side, impact evidence would be invisible as it hit a space as far as the nearest spacecraft, Galileo, saw three-quar-

ters of its way through a six-year voyage to Jupiter. And because of a faulty antenna, Galileo's record may take weeks to transmit.

But as it happened, even the impact of Fragment A, a lesser part of the comet, shot a shower of super hot gases like a fireball above Jupiter's gross horizon into the view of telescopes on Earth. News of the sighting landed in Baltimore from observatories in Spain and Chile—and so members of the comet-watch team were discussing what they could possibly tell a meeting press conference. "Great! [Shoemaker] says, 'They saw the place?' and he jumps out of his chair, and that took care of the rehearsal for the press conference," recalled Levy. Heik Hemmel, team leader of the comet watch, broke out a bottle of champagne.

That was just the beginning. Two mornings later, Levy said, he woke up after the coldest and longest day of Fragment G—a big one more than three kilometers in diameter—and switched on his computer. "I logged into the E-mail and there are a thousand e-mails and messages and they're all saying things like 'The phone was extremely jammed.' It's bigger than all of Earth and it's bigger than all of Jupiter, and I'm just sitting there and saying, 'I don't want any coffee this morning—I'm awake.' I left a message for Gerry and Carolyn, Fragment G just blew the look out of Jupiter!"

Successive fragments hit across the planet's southern hemisphere elicited a line of black marks—possibly normal long-lasting ripples, says Levy. Carolyn Shoemaker: "What if a similar comet struck Earth?" "A fragment G would take the whole of Los Angeles," she said. "And you would have cut out an enormous Earth, but meteor showers that would go worldwide." She added that "right now, there is nothing that has Earth as a target."

But "what we really need is a complete inventory of what is out there."

And what about the astronomical "cosmic plasma of the universe, an intergalactic universe, and space and its dark? Does not provide feelings of awe from the sky?"

"A comet may destroy life as we know it here on Earth, but there is something very eternal about the universe," Shoemaker explains. "We talk about the universe collapse and it goes, but there is even a sort of eternal rhythm to the fact that that may occur. I'm not scary, that is just part of the way things are." Levy agreed. "I see the sky as a very friendly place." But last week in the comet hit triggered energy bursts hundreds of times greater than an explosion of Earth's nuclear machine arsenal. "It's a tremendous part called for a 30-year program to catalogue 100 comets and asteroids greater than one kilometer in diameter" on course to cross the orbit of planet Earth. □

The impact of Fragment G on Jupiter. Levy (left) and Carolyn Shoemaker (right) were the first to see the impact.



OBITUARY

Like 'a sparrow on the wire'

Journalist Charles Lynch was a born entertainer

Typically, perhaps, Charles Lynch not only wrote his own obituary, but first, on July 16, he died of cancer on his 53rd birthday. It is ironic that the Ottawa newspaper The Citizen political column, always related the last word. Occasionally, during a legendary 50-year career that turned a cub reporter from New Brunswick into a Canadian household name, those words were prophetic. Most often, Lynch's syndicated newspaper columns were today commentators on the habits of politicians and the folly of running a glorious but hostile country. While he belated his own prediction for scribbling until "to be a writer," he continued, at the end, that he had had a wonderful life. "No man ever enjoyed his work more, or realized that others could do the same," Lynch wrote of himself. "His usual dilemma was that he was skipping the readers' muckety of information along with the entertainment."

Free Canadian journalists could claim such a vast and varied reputation from the time he chose these words of his own. At the age of 14, Lynch boasted that he was "the prince of celebrity journalism in Canada." A born entertainer, he revelled in his gaudy wit and readers in every part of English-speaking Canada. Lynch's political columns were a mix of a play, Charles Lynch Best Day, was the response to his striking accusation that the province was totally dependent on federal funds. His newspaper and broadcast career spanned 10 prime ministers, beginning with William Lyon Mackenzie King, who took office for the third time a year before Lynch joined the *Star*; John G. Diefenbaker in 1956 for 27 weeks. "Charles told me that he had never asked for an interview with a single prime minister," said fellow columnist Allan Rock. "He and his job was to be a mirror on the scene, watching the moat on the ground."

But Lynch was hard to pin to practice; his laugh was a natural storyteller, he was also a spirited basketball player with no wrong eye for the spotlight. Unfolding in 1976



Lynch 'skipping the readers' muckety of information'

to mostly praise against closed-door meetings of first ministers in Ottawa, Lynch and the late columnist Margaret Nichols staged a sit-down strike. When Lynch reminded then Prime Minister Pierre Trudeau, as a prior will suggest to live with an open conference, Trudeau retorted: "Yes, but I cannot live with you, Charles." Lynch's refusal to bend to the "power" leadership of the day often landed him in trouble with his peers. He defused Don Martin's press conference by personally confronting the Tory prime minister when he was in Ottawa.

As a freelance, he ruled as a press and as a private as his former longtime employer, Southern Inc., after the newspaper chain forced retirement upon him at age 53. He thrived on critics who accused him of spitting fire through over substance. His regular "What good is it to be a writer who nobody is reading?" was a popular phrase. Poling in a pipe, Lynch was the undisputed dean of Canadian political journalists during his stint as head of Southern's Ottawa bureau from 1956 to 1964. Unwilling to limit his domain to print, he played his home voice on CBC Radio, his round, bespectacled face with his bushy crop of hair and, later, trademark clipped beard and mustache, appeared on both national television networks. By his own count, he had spoken at more Canadian Club luncheons and met more Canadians over the years than any other journalist. As he said of himself: "He travelled four million miles, almost all of it in somebody else's expense."

Besides the ongoing reporter was an event that haunted Lynch and made his name. As a war correspondent with Reuters were service, he landed with Canadian troops on the beach shores of Normandy on June 6, 1944, covering the D-Day operation with the late veteran CBC correspondent Matthew Halton. Dissidents from the front were written in a battered black typewriter, among the photographs from that era is one showing Lynch with Winston Churchill. Fifty years later, in 1994, Lynch returned to France as a member of a special Canadian delegation. This time, he returned as a

days on the beach with CBC correspondent David Blakes, Matthew's son, and met his son home by a boat captain. The French paper *Le Monde* devoted an entire article to Lynch's recollections. That he had made it all was a medical marvel: three years after he was diagnosed with melanoma cancer, Lynch was operating on stomach ulcers.

Despite his cancer, Lynch had planned to be far the next year in Bahia Island with his second wife, Claudy. Lynch was finally there, but he was not ready to see it as he was regarded by some as not

at step with a new generation of reporters and politicians. As a former party of the Ottawa press gallery held for an April 23, Lynch endured a poor-attended ribbon-cutting at his chosen "Far years, many people have wanted to send me to live in the Bahia Islands," wrote Brent Milliken, "but you are the first person I know who ever went there voluntarily." His reasons to seek a quiet beginning were unaccomplished. A step ahead of every one, Charles Lynch was simply after every attainable part.

E. ROSE JULTON

Man of (many) letters

An author writes comic odes to everyday life

For the benefit of students of Canadian literature for generations to come, The Post is explaining one of the quirkier corners in his expanding oeuvre: the rise of ready-made "I don't much like getting older, and that's the truth" volunteers (Bill Richardson, Vancouver media broadcaster, book author and increasingly self-styled hostess of Canada, being a man of action as well as words, Richardson 38, has taken up countermeasures: "Every now

and then, he considers 'I'll go out and buy a facial cream of some kind, actually, to make me something like that, and just do it in and sit back and try not to laugh till it happens. Then you take it off," he concludes, his voice rising into a catty cackle, "and for about 20 minutes you're in a creature of pure resentment."

Such are the more domestic triumphs that inspire Richardson—and delight his many admirers. Host of a Saturday program on CBC Radio and the author of four volumes of light verse and prose, the Wingman born Richardson is transparently at ease in his chair to be the nation's go-to laureate. There is no such office, for one thing: But if it did exist, Richardson's growing legion of fans would surely insist on his candidacy. And indeed, what better qualification could there be for such a post than an ability to extract deeper

Richardson and his dog, Sanela, a shy chihuahua sporting gold from polyester

insights from the small annoyances, trivial disasters and accidental nuances of daily life? It is a transformation that the prolific Richardson, who also writes a weekly column for The Vancouver Sun, accomplishes with self-deprecating modesty, like a shy suburban alchemist spinning gold from polyester. Richardson got his start in broadcasting in 1993, reading a 15-line Christmas radio tele-novel on the local CBC Radio station in Vancouver. Eventually, he landed a full-time

Richardson in the company of W. O. Mitchell and Farley Mowat. Meanwhile, Richardson's own radio show, *Crossroads*, is back for the third year in a manner replacement for the first hour of Gaboriau's regular afternoon slot.

Last week, Richardson brought several of his multiple roles together, taking *Crossroads* on the road for a taping before a live audience in Orillia, Ont., at the invitation of organizers of the town's annual Leacock Festival. The program, to be broadcast this week, was recorded across the street from Leacock's former home in the Ontario city.

It was an appropriate setting: there is something appealingly old-fashioned in Richardson's preoccupation with the small, salutary victories of everyday life, in his evident love of the vanishing art of correspondence. At least, *Crossroads* is an exchange of letters among scattered friends, as loyal listeners share their reflections on daily life and other idiosyncratic material choices (Audrey Hepburn and Virginia's lady) Richardson led not breakfast "an occasionally little piece, submitted largely by economists," in Richardson's own description, clearly shares spiritual co-ordinates with Leacock's turn-of-the-century Marjorie.

At least one respect, however, the dull, steady writer is every inch a man of the Marjorie. Richardson, a slight figure who often smirks his way through it himself, is openly gay. He makes his sexual orientation clear in a human column that he writes for *AT&T* West, a Vancouver gay and lesbian biweekly. And in the end for Guy in *Guides*, a collaboration with photographer Rowland Norbury due to be published in October. Richardson explains the origins of drug queries. He acknowledges that homophobic letters to *Crossroads* are "not infrequent." But he claims to have little interest in the political agenda of many gay columns. "I think it is good for people to know that is the way I live my life," says Richardson, who shares a condominium in Vancouver's west end with his partner. "But I don't want to be identified as a gay writer."

There seems to be little chance of that: Richardson's fascination with the small change of ordinary life simply runs too wide to be more intrigued by why a passion for socks and a business for cats should so often be "points of connection on the Venus surface of personality," as he writes in *Nachbar* (Bantam), thus with the genius of sexual preference. "If I had led an exceptional life, I'd write about it," he says. "As it is, what I write about is just the everyday." A modest smile lights up the poet's smooth face, seeming no less the finest of lines in the well-worn line.

CHRIS WOOD is in Vancouver

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Clockwise from
top: McKinney,
Greenberg, Gfroerer
and Viscuso,
warped but funny

TELEVISION

Room to manoeuvre

The Vacant Lot cram a lot into their comedy

Lance Michaels is a gentler. In 1993, the Toronto-born TV producer launched NBC's *Saturday Night Live*, an experimental late-night sketch show featuring young comedians considered too may for prime time. An instant hit, it has catapulted Michaels into Hollywood and Mike Myers among many others to superstardom. In 1989, Michaels's Broadway Video, in association with the CBC, introduced TV viewers to live television music comics from Toronto—one of them openly gay—called the Kids in the Hall who tackled such previously taboo subjects as homosexuality with tongue-in-cheer irreverence. They, too, were a smash. But with the Kids having recently standardized the look for the big screen—they are working on a movie deal with Paramount—Michaels has again leaned up with the CBC to present another troupe of Toronto kinsmen. The Vacant Lot is a half-hour comedy show featuring Rick Greenberg, Phil Greenberg, Vito Viscuso and Nick McKinney, debate on the network on Aug. 3. And with the one episode pilot also watched up by U.S. cable giant Comedy Central and the music station MTV,

it seems likely that Michaels has again struck comedy gold.

The Vacant Lot may not be everyone's cup of tea. Like the Kids before them, the young comedians, who range in age from 27 to 36, do not shy away from material that some viewers may find offensive. Their emphasis on physical humor relies heavily on sight gags and dark puns. "A lot of our comedy comes out of the back, the sexual stuff," explains Greenberg during an interview in the Lot's makeshift warehouse office in downtown Toronto. "We don't do the Reverend the Herd's kind of humor. It starts way at the top, somebody who's got everything at the beginning of the scene and is usually dead by the end." Adds McKinney: "With us, the higher they start, the further they fall. You know, to the fifth circle of hell." A typical routine in the high-powered business executive who mails up on his head after his boss has gone wildly out of control.

Wanted, yes. But funny, too. The rubber-laced foursome, who have performed together since 1987, are masters of comic characterization. Several of their routines, which

attracted an almost cult-like following on the Toronto nightclub circuit, acquire a heightened accuracy on television, thanks to close-up lighting and extreme camera angles. "We have had some years in which our sketches were so good at about what we do," says Viscuso. "But, actually, most of our material onto television is better."

Viscuso, Greenberg and Gfroerer met in 1986 at Toronto's Ryerson Polytechnical Institute, where they were studying radio and television arts. The three worked together on a student production called *Rot*, which Viscuso now describes as "really bad." Rot's director invited some Second City cast members to critique the show. One of them was Scott Thompson, who was due to perform with a new comedy troupe called the Kids in the Hall. Thompson offered some advice and invited the three to the Kids' show at a local club. "It blew me away," recalls Viscuso. "They were far better than anything I had ever seen. And thus we just started hanging out together."

Nick McKinney, younger brother of the Kids' Mark McKinney, met Viscuso, Greenberg and Gfroerer at a party and quickly discovered that he shared their comic sensibilities. The four men formed The Vacant Lot, eventually securing a gig at the Rivoli, a popular Toronto nightclub. They will remember the exact date: Nov. 17, 1987.

After six years on the club circuit, the Lot's big break came in the spring of 1993 when scouts from Broadway Video, MTV and Comedy Central took an interest in their stand-out routine shows at the Rivoli. "They all went away to their respective agencies, and a few months later we were told 'You are coming to New York in a week to start writing,'" Viscuso recalls. With a one-hour pilot deal in the bag, the foursome travelled to Broadway Video's Manhattan offices last September, where they spent three months developing new material. "We have called comedy bookings, but we think it," says Viscuso. Estimates: Greenberg: "Being on the way."

The first battle will be to step out of the shadow of the Kids in the Hall. If they are worried about the inevitable comparison to the Kids, Michaels and Lot cast members are characteristically disingenuous. "Who?" Greenberg asks. "The cast of *Awake!*" Viscuso says that the similarities between the two troupes are superficial. "We are all men, we are all from Toronto and we do sketch comedy." And Greenberg underlines their differences. "They have sort of a white suburban take on things and we have kind of a Warner Bros. cartoon take on things."

It is as good an explanation as any for such sketches as Jesus giving his all at a school soccer match, or four guys randomly waking up in the desert and deciding to go to the beach. Shouted by the Light Field up for a holiday by the kids of the night. And it is a comic vision that some Michaels is letting on.

SCOTT HERRICK

Reaping the Tony rewards

Any Bennett has been in the music business for more than 40 years, but when it comes to promoting himself in the video age, the 61-year-old crooner still knows all the latest moves. While autographing copies of his new recording, *Unplugged*, at a downtown Toronto music store last week, Bennett decided on the spot of the moment, to drop by the studios of MuchMusic, the music video channel where he had been interviewed two days earlier. Less than an hour later, he was on the air, making a news report about the Rolling Stones' surprise nightclub appearance in Toronto the night before, and chatting with MuchMusic anchor babe Monika Drai. Later, he sang George Gershwin's *Piano Ragtime*, accompanied only by his beloved young daughter, Chayce Cameron, playing a saucer drum with brushes.

"I know that everybody who watches this station likes to dance," Bennett said. "And we're going to give you a really great treat to thank you for."

But while he enjoys exploring a new medium, there is little about Bennett that is new. In fact, his repertoire and longevity have changed little since he was discovered by Pearl Bailey in a Greenwich Village nightclub in 1966. Bennett still performs in either a suit or a tuxedo. He also draws his material from what he calls "the Great American Songbook"—but last two albums, *Johnny Cash* (1992) and *Stephen* (2002) were collections of old-timey blues and songs from Fred Astaire movies. Last week, perform-

ing in the first of three shows at a 1,800-seat hall in the Performing Arts Centre in the Toronto suburb of North York, Bennett's voice sounded more raucy than it did in his heyday. But backed by a trio led by his longtime pianist, Ralph Sharon, Bennett played the two-hour show with plenty of tempo changes and peppered it with Vegas-style vocal flourishes, yelling "You're beautiful" and "What a night!" at the end of a couple of songs. Yet, as debonair as Bennett's style is, over the past two years he has won a larger following among listeners in their 20s and 30s—and both Bennett and his fans still are not quite sure how to explain the phenomenon.

Bennett is not the only vet en vogue to enjoy a recent surge in popularity. Sinatra is 78. Yet his *Duet* album—new versions of his old hits sung with such younger performers as Natalie Cole and Bono, the lead singer of U2—has sold close to three million copies since its release last November. Vintage country singer Johnny Cash, 62, has also recorded a song with U2, and was revived—but declined—no permanent on this summer's annual Latin Grammy new music list.

In Bennett's case, most agree he owes that to at least part of his renewed popularity in the result of a clever promotional strategy. Bennett allowed his son, Denny, 30, to take over as his manager in the mid 1980s. "My son knew there was another, younger audience out there," he said. Denny Bennett secured his

Daughter Cameron (left), Bennett 'The Great American Songbook'

father spots on TV shows that appealed to youthful viewers. "We started out on an SCTV slot," Bennett recalled in an apartment at his Toronto hotel last week. "And I was on *The Simpsons*. And then David Letterman."

The Bennett revival kicked into high gear last September, when he appeared as a presenter on MTV's *Video Awards* show. In a playful role reversal, Bennett appeared dressed in a velvet top hat and shorts, part of the customary garb of his copresenters, the Red Hot Chili Peppers. Then, in turn, were turntables. As well, MTV placed Bennett's stylish video for the title song from *Stephen* on its regular rotation. That TV exposure led to a spot on a December live sponsored by rock radio stations in several U.S. cities. Bennett shared the bill with Puma the Pyro, the Lemonheads and several other bands on 30,000-seat halls.

Members of that new young audience were scarce at Bennett's Toronto concert last week, however—possibly due to the stereo light jitters, which started at 8:02 a.m. and dimmed to 8:15. Two who stood out among the grey heads were Toronto nightclub man-

ager Stephen Petric, 32, and his girlfriend Caroline Rodgers, 30, a preschool teacher. When asked to analyze the appeal of Bennett's music, Rodgers replied: "It's just cool." Petric added: "People hang out and started digging deeper into the vaults."

The next day, dozens of young Bennett fans showed up at a lunchtime mini-concert and autograph session at a downtown record store. "It's, like, pure star. Real cool," said Derek Muzer, 26, who is the lead singer of a local rock band called Golden Fly. Bennett, wearing purple running shoes, baggy sweat pants and earrings on both ears, said that some of the appeal of Bennett's music was a fresh interest in jazz. "Jazz is getting into hip hop music. It's getting into everything." He added that many young listeners double being stereotyped as Generation Xers who only listen to world-famous music. "It's all bubblegum and Muzer. But they have to recognize it."

Bennett finds it encouraging that listeners and record executives alike are beginning to rebel against marketing stereotypes, and against the "big screen" philosophy that has driven record companies since the 1950s. Prior to that, he explained, record companies recognized the value of allowing performers to build up a catalogue of dozens of records.

But after the Beatles, Bennett said, record companies only issued blockbuster albums that could sell millions of copies. In his own case, he severed his contract with Columbia Records in the early 1990s because they wanted him to sing rock songs. "They wanted me to sing Bruce Springsteen," Bennett said. "I told them: 'You do it.'"

He rejoined Sony Columbia in 1996, and says the company has given him complete freedom to record the standards that he loves. And looking ahead, that is exactly what he intends to keep on doing. "The myth has always been that after 35 you start to go downhill," Bennett said. "Well, I had very good teachers. They taught me well how to preserve my voice."

And Bennett likes the new company he is keeping—the young performers who have lined up to sing with him in recent months. Both Elton Connolly and Kid have joined him on his *Unplugged* album and TV special, which aired on the US MTV channel in early June, and he says that he would like to record an entire album with long-time Bennett's style may not have changed, but he's stepped out with a whole new crowd.

JOHN BAILY with CHRIS SCIBIAZZI in Toronto

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The channel surfer blues

BY ALLAN FOTHERINGHAM

The major problem with the information industry, of which I am a key player, is that it does not really help those who are helpless consumers of information. The onscreen of the wanted information highway, that would deliver 240 channels into our living rooms and produce department store shopping, just to mention the one tool in the doomsday, is here before us.

The reason it is a nuisance is that we already have more information than we actually need. The major example is that most Canadians, not to mention Americans, could not locate on a map of Greece a poster and a large cross.

It contains more people than New York City and yet rates huge headlines in all the best newspapers and your favorite morning newspaper. In reality, it is a puff, no threat to world security, or to catastrophe in the average inhabitant of Canada or Mexico (yet, and yet it makes it come every morning's 11:00 news).

Why? Because modern technology, and TV and satellite transmission make it possible. Because technology can make it possible, it is now a consequence to catastrophe.

How is it relevant to the world order? It is almost as important as Yellowstone. But The New York Times—and therefore The Globe and Mail—put this on the front page. It is a joke. When the Korean War dragged on, trench by trench, nothing really happening but always reported, the late and great Ed Smith, managing editor of The Vancouver Star, gave an order to his deskmen: Run the story Korean War story on the front page, three days in a row and wait to see if anyone noticed. The GI people showed up. The same would happen with Haiti today. Trust me, Marshall McLuhan, one of the three Canadians who could be called genius (the two others available by a well-documented copyright) accurately predicted that we were coming into a global village.

The next night, of course, as posted by Peter Aron, sheltering under a table in downtown Baghdad and describing on CNN George Bush's attempt to get re-elected, CNN has spoiled the established networks—which as



my being Time magazine, is one of its few recent bright ideas, says Ted Turner, author of CNN, the 20th Man of the Year.

What's the difference between Bill Clinton, Dan Quayle and Jane Fonda? Jane has been in Vietnam. I digress.

Thanks to Peter Aron, now wherever there is yet another world crisis the nervous establishment networks dispatch their anchors immediately to the hotspot. Peter Jennings is a safe bet. Dan Rather trying to disguise his nervousness. Tom Brokaw in his Midwest twang never really fitting in on the world stage.

Our current example of all information overload is Rwanda. Now that we can see, live in color, millions of innocent and innocent people being chopped up and trampled to death, the world goes numb. Then someone then bared his head. Senzuka yesterday (Sunday) today. Let's turn to the World Cup. What's the disaster tomorrow?

McLuhan's genius thought producers—as he probably knew—as First World population poured to the pain of others. We watch the mashing pictures on the tube and wait for the sports scores. The mind can absorb only so much, the consumer can take only so many bits. How about then that tape-erase?

When the luxury books are written, the man credited with the responsibility for the death of communism and the crumbling of the Berlin Wall will be one of two figures. Either Ronald Reagan, for restoring us an sense that he figured, accurately as it turned out, would bankrupt the Soviet Union and the bad guys would blink first.

Or Pope John Paul II, who on returning to his native Poland on his first visit purposely supported Lech Walesa's Solidarity movement and thereby encouraged the warring Soviet principalities that you could indeed beat your head.

The oral tradition that brought down the Communist empire, if truth be known, was the proliferation of the unstoppable TV satellite dish. There, there, both Soviet and the free world, which made Warsaw Pact nations totally aware of what lay outside their frozen existence. Once you've experienced Gorbachev, how can you go back to sleep? You can't.

The television phenomenon that allows parents in Thailand to watch O. J. Simpson chased down the freeway in a telenovela that the Khymer Rouge could not have survived, also dispels us with luxury. One year it is Chad, or Somalia, or Bosnia, or Rwanda or Rwanda or whatever.

Constant exposure to the tragedy of others does not make us more strict, more giving, more do-gooders. Thanks to live television, it makes us accept the worst, knowing that worst will be more.

Peter Aron, we see, is now in Haiti, raising more horror stories to make the evening news to follow up on George Bush baring alive untold thousands of dead soldiers in the mother of all disasters.

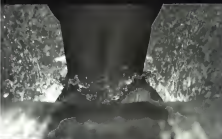
Information overload, it is called. A survey taken 20 years ago asked North American television viewers how many TV channels they felt comfortable with, how many they required. The answer came out to seven. That too, we see in 2001, the age of the size wars and a recent survey showed that most viewers feel—would suggest—that about seven channels is all they can or want to absorb. There's all in the industry of information are telling our consumers with overload. Set, curtain. (Don't mind. What is wanted is quality, not quantity. Switch that channel.)



I will put first things last.

I will remember death.

I will study a sunset. I will be asked more. I will discover a color.



I will be amphibious.

I will eat a mango.

Channel 200, next open at 1:00 PM, 2001, for a free trial.

I will get a really good tan.

It's

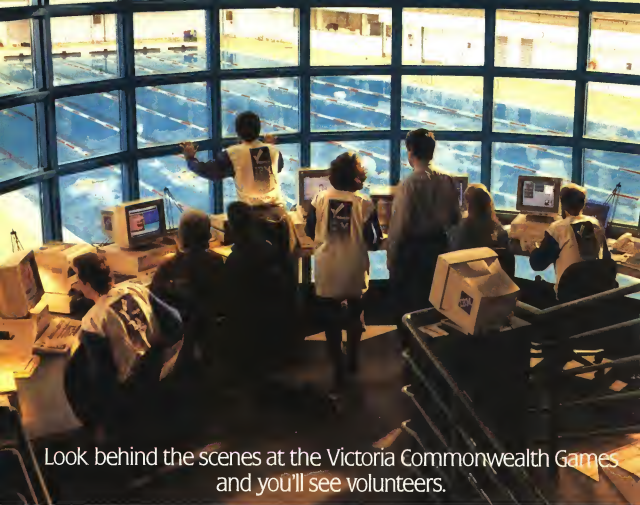
different

out

here.

NORWEGIAN
CRUISE LINES





Look behind the scenes at the Victoria Commonwealth Games and you'll see volunteers.

Look behind the volunteers and you'll see Rob, Dave and Dave.



Rob McMurtry

Rob McMurtry, Dave Smith and Dave Hatherly are the heart of the project team that designed the system which will be used by the volunteers during the Commonwealth Games. Rob, Dave and Dave work for IBM but as Lisette Colbert, their Games client says, "Some days you can't tell who's the client and who's from IBM." — Whether you call it 'responsiveness', 'teamwork', 'commitment', or just good service, it's what every customer wants. And today's IBM delivers it. — Lisette Colbert told us: "When I think of IBM, the first thing that comes to mind is Rob, Dave and Dave. These guys make it so easy for us." — Let the Games begin.



Dave Smith, Dave Hatherly



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